

Baker Is Doubtful On Acceptability of New START Treaty

By Don Oberdorfer
and Robert J. McCartney
Washington Post Service

Secretary of State James A. Baker 3d expressed doubts Sunday about the political acceptability of the largely completed strategic arms treaty under negotiation between the United States and the Soviet Union.

His remarks were made as he explored the differences between the United States and a West German position on short-range nuclear issues.

Mr. Baker made his comment on the START treaty while flying to the West German capital, the fourth stop of a tour of the capitals of NATO nations.

Mr. Baker emphasized that it was important that the Bush administration conduct a serious and thorough strategic arms review to ensure that any pact reached with Moscow can win Senate approval.

A senior aide to Mr. Baker, asked to clarify his remark, said Mr. Baker was anxious to make certain that a future START treaty is acceptable to the Senate.

In his London conversation with the foreign secretary, Sir Geoffrey Howe, and in recent remarks to reporters, Mr. Baker declined to say how long the arms review would last. The strategic arms talks, which have been in recess since late last year, are awaiting completion of the U.S. policy review.

In Bonn, Mr. Baker's most urgent task is to discuss with West German leaders the sudden reluctance to decide this year or next on modernizing NATO's short-range nuclear missiles.

"What we need to do is find out exactly what the position is, what the German position is going to be," he said.

If allowed to fester, U.S. experts said, the dispute could grow into a crisis of confidence.

In London, according to British sources, Sir Geoffrey told Mr. Baker that "it is important to keep up to date" with short-range nuclear weapons "without being sucked into negotiations" over the issue with the Soviet Union.

Mr. Baker met Sunday evening with Foreign Minister Hans-Dietrich Genscher, who has long opposed an early NATO decision to modernize the short-range weapons and who favors East-West negotiations about them.

14-Nation Europe Trip Tests Shifting Policies

By Jim Hoagland
Washington Post Service

PARIS — Secretary of State James A. Baker 3d has begun a whirlwind tour of NATO's European capitals that will engage the Bush administration directly in an expanding strategy debate on a continent reverberating to the diplomacy of the Soviet leader, Mikhail S. Gorbachev.

Mr. Baker's seven-day, 14-nation

journey opens an unusually active period of European-centered diplomacy by both superpowers.

By midsummer, Mr. Gorbachev will have visited Britain, West Germany and France. And Western alliance leaders will have held two summit meetings crucial in setting military and economic policies toward the Soviet Union.

Moreover, Mr. Baker will find in Western Europe a sense that there have been significant changes in NATO, Page 5



Greg English/The Associated Press

At Least 5 Are Killed in Attack on American Center in Pakistan

Islamabad police used tear gas, rocks and bullets Sunday against hundreds of protesters trying to storm a U.S. government office, killing at least five persons and injuring 65. Moslems had converged on the U.S. Information Center to protest the

publication in the United States of the novel "Satanic Verses" by Salman Rushdie, which many Moslems consider sacrilegious. The U.S. flag and effigies of Mr. Rushdie and the United States were burned by the protesters. Page 2

Moscow Assails Unofficial Political Opposition

By Bill Keller
New York Times Service

KISHINEV, U.S.S.R. — A senior member of the ruling Communist Politburo has made a sharp attack on unofficial political organizations, exhorting party leaders here in the capital of Moldavia to fight "the creation of legal and illegal structures standing in opposition to the party."

The remarks by Viktor M. Chebrikov, the former head of the KGB, the Soviet intelligence agency, and currently the party official in charge of legal and police affairs, came amid other signs of a growing high-level disenchantment with political opposition.

The disenchantment was reflected further in the announcement Sunday in Tbilisi of new restrictions on press coverage of demonstrations and an unusually virulent denunciation of several prominent dissident figures in another central newspaper.

Mr. Chebrikov's speech on Fri-

day was published Sunday in the party newspaper Pravda, and appeared to carry added authority because it was billed as a presentation of the party's platform in the current election campaign.

"Independent, so-called informal organizations pose a great harm to our mighty, positive social movement," Mr. Chebrikov told Moldavian party officials. Among those claiming to support Mikhail S. Gorbachev's program of economic and social restructuring, he warned, "There are even outright anti-socialist elements, who are attempting to create political struc-

tures opposed to the Communist Party."

Mr. Chebrikov's speech may reflect concern among party leaders that unofficial organizations are spreading faster and presenting a more serious challenge to the party's authority than Moscow had anticipated.

Independent popular fronts have attracted a wide following in the Baltic republics. In Lithuania, for example, candidates loyal to the unofficial popular movement called Sajudis appear to stand a good chance of defeating local Communist leaders in electoral

contests for seats in a new national congress of deputies.

Moldavia is one of several republics in which unofficial political groups have recently taken to the streets demanding more citizen control over political and economic life. Attempts to organize an independent political front here have not been as successful as in the Baltic republics, according to local organizers, in part because Moldavian authorities have created a chillier climate by arresting demonstrators.

But the three main independent parties are expected to compete in national elections in 1990, would have to respect the constitutional provision mandating socialism for Hungary. But he said that the ruling Hungarian Socialist Workers Party would be able to maintain "a governing position" in the new system only if it "can gain the confidence and support of the people."

The Central Committee's decision to endorse the change was made at a meeting that was called to defuse tensions between the party's liberal and conservative wings on both substantive and symbolic issues.

An incipient power struggle between liberals, led by Imre Pozsgay, a Politburo member, and the more-conservative Mr. Grosz was heightened last month when Mr. Pozsgay declared that the 1956 revolution against Communist rule

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Nick Dattilo/Reuters

Mr. Baker with Prime Minister Margaret Thatcher at her Chequers residence on Sunday.

Takeshita's Party Suffers Major Setback

By Patrick L. Smith
International Herald Tribune

TOKYO — The ruling Liberal Democratic Party suffered a setback on Sunday in a special election for a legislative seat. The defeat was widely viewed as a measure of Prime Minister Noboru Takeshita's declining power.

The loss came in Fukuoka Prefecture, a Liberal Democratic stronghold. It was interpreted as a sign of the political damage suffered by the party in a long-running stock scandal and in Mr. Takeshita's battle for unpopular tax changes, which are to be put into effect this spring.

Tsuruo Yamaguchi, secretary-

general of the opposition Japan Socialist Party, said his party would demand the resignation of the Takeshita cabinet, the dissolution of the lower house of the Diet, or parliament, and a general election. Kyodo News Service reported.

The election was won by the Japan Socialist Party candidate, Sadao Fuchigami.

While the ruling party's power remained unthreatened, analysts indicated that the vote in Fukuoka moved Mr. Takeshita one step closer to becoming a single-term prime minister.

"All the pieces needed for a general election are falling into place," a Diet staff aide said Sunday. "It's in the air. You can smell it."

Although pre-election polls suggested that the contest would be closely fought, Mr. Fuchigami, a vice chairman of the Socialist Party in Fukuoka, defeated his Liberal Democratic opponent by a margin of almost 3 to 2.

"The people of Fukuoka have spoken for the whole nation," said Takako Doi, the Socialist's chairman. "They've demanded that the

ruling party take its proper responsibilities."

The Fukuoka election, held to replace a deceased member of the upper house of the Diet, was the second such setback recently for the Liberal Democrats. Their candidate in a municipal election on the southern island of Kyushu was

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Stage Set for Stronger Dollar

By Carl Gewirtz
International Herald Tribune

PARIS — If it's business as usual, the dollar will be propelled higher on foreign-exchange markets this week by the prospect that the U.S. Federal Reserve will be obliged to further raise interest rates to restrain inflation.

That certainly was the view in New York late Friday. The dollar ended at 1.8713 Deutsche marks, well above the week's low of 1.8365 DM set earlier on Friday in Frankfurt. The rebound, which began while European markets were still open, followed news of a sharp 1.0 percent increase in U.S. wholesale prices last month.

High U.S. interest rates and the prospect of further increases were widely credited as the source of the dollar's recent strength.

The danger of a move toward higher U.S. interest rates is that it triggers a similar rise in rates around the world. Such a concerted round of rate increases could pose a

severe danger to the world economy, analysts said.

Apparently reacting to higher U.S. rates, banks in Switzerland and Hong Kong announced half-point increases in lending rates on Saturday. The move lifted the Swiss private discount rate to 6 percent.

But dealers said that potential pitfall did not trouble the markets on Friday, as the U.S. currency reversed course in frenetic trading.

"We saw a quick, decisive recovery of 2 pips in half an hour," said Hermann Srodtmeyer, Commerzbank's head of foreign-exchange trading in Frankfurt. "The probability for the dollar going up to 1.90 DM is greater than its falling back to 1.80 DM," he added.

This view is widely shared by traders in dealing rooms elsewhere in Europe and in New York, but dissenters are to be heard, particularly among economists and technical analysts.

Almost forgotten in the frantic trading that followed the wholesale

prices report and the subsequent point increase in the prime leading rate of U.S. banks was the disappointment over President George Bush's budget proposal that had caused the dollar to sink to 1.8365 DM.

The optimistic assumptions of economic growth of 3.5 percent next year coupled with a decline in short-term interest rates to 7.4 percent this year and 5.5 percent next year were widely regarded as unrealistic. And the absence of any proposal to raise taxes, while no surprise, simply confirmed that a narrowing of the deficit would remain an elusive goal.

"The budget was a disappointment," said Brendan Brown, economic consultant to Mitsubishi Finance International Ltd. in London.

"It was not convincing," commented Norbert Walter, economist at Deutsche Bank in Frankfurt. A meaningful reduction in the deficit

See DOLLAR, Page 12

Rehnquist Delays Start of North's Trial

The Associated Press

WASHINGTON — The chief justice of the United States on Sunday ordered a delay in the start of the trial of Oliver North to allow the full court to consider the case.

William H. Rehnquist set a hearing for Friday on issues raised in briefs filed Saturday by the Justice Department and the special prosecutor in the case. The trial had been set to begin Monday.

The order came as government sources said the two sides were trying to reach a compromise that would have allowed the trial to proceed as scheduled.

Last week, the Justice Department objected in many categories

of classified material that Mr. North plans to introduce at his trial, saying the judge in the case has imposed far too few safeguards to protect national security. Since Thursday, the department had been trying to delay the trial. But independent counsel Lawrence Walsh, whose office is prosecuting Mr. North, wanted opening arguments to begin immediately.

A jury was seated in the case on Thursday, and U.S. District Judge Gerhard A. Gesell had told the panel to return Monday morning.

The Justice Department on Saturday went to the Supreme Court with a petition seeking a delay, and the special prosecutor's office

quickly filed counterarguments. Mr. Walsh said the petition contained "untrue" and "inaccurate" statements, and that Attorney General Richard Thornburgh was trying to "subvert his independence." But late Saturday attempts at a compromise solution began.

The department will continue preparing an affidavit to the court from Mr. Thornburgh that would in effect bar disclosure of certain classified material that Mr. North plans to use. Depending on the scope of the affidavit, such a step could lead to the dismissal of some or all of the 12 criminal charges against Mr. North, because he would be unable to use classified

material that he planned to use in trying to prove his innocence.

The counts arise from his role in the sale of U.S. arms to Iran and the diversion of some of the proceeds to Nicaraguan rebels. Officials at the State Department, the Central Intelligence Agency and the National Security Agency dealt with him frequently.

The Washington Post quoted a source close to the special prosecutor who said that Mr. Walsh's office was convinced that the attorney general was being "misled by the intelligence agencies who are exaggerating to him the risks of disclosure of classified information during this trial."

For Catalonia, Dali's Will Is a Bad Joke

By James M. Markham
New York Times Service

MADRID — Salvador Dali's last joke is reverberating across Spain, sowing the kind of consternation and dissension that the Surrealist master succeeded so well in creating in his lifetime.

When Mr. Dali died at 84 in his hometown of Figueras on Jan. 23, it was widely believed that he had left at least a part of his artistic legacy to his native region of Catalonia.

A handful of intimates who had cared for the temperamental artist in his last years also had hopes for some of his fortune.

But when the terms of Mr. Dali's will were revealed, initially through a disclosure to a Spanish weekly, there was general astonishment. The painter had bequeathed all his "goods, rights and artistic creations to the Spanish state, with the

fervent assignment to conserve, popularize and protect his works of art."

Mr. Dali's last testament exploded like a delayed-action mine, and the magazine that broke the story, Cambio 16, splashed the stunning news across its cover: "Dali Disinherits Catalonia."

The artist's will, made secretly before a provincial notary in 1982 with two Catalan peasants as witnesses, aroused anger in Barcelona, which had quietly been planning to turn Mr. Dali's legacy into the centerpiece of a new museum, to be completed in the early 1990s. The Catalan capital now has only three major Dali works.

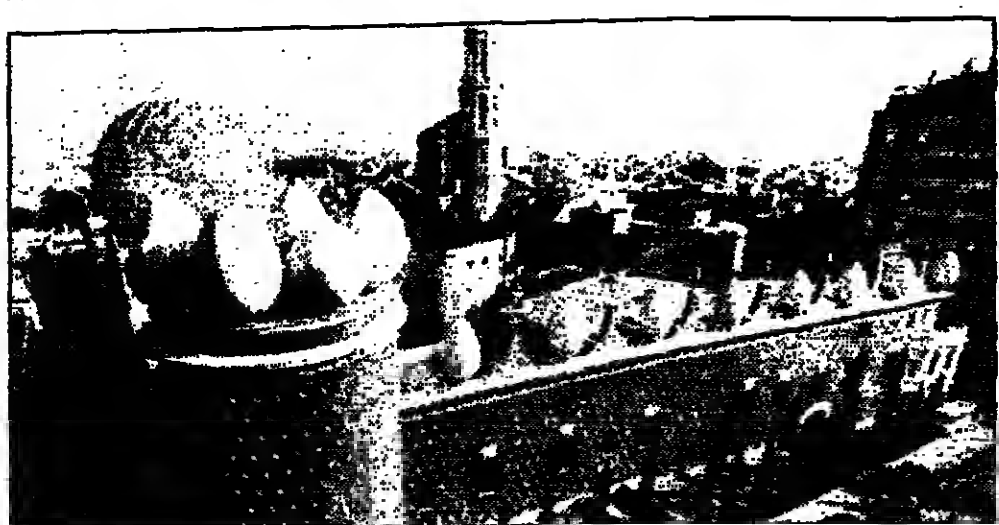
The will, however, was a windfall for Madrid, which is in the process of making its new Queen Sofia Art Center a magnet for a growing collection of modern art.

Mr. Dali's coup had political ramifications as well. Since Franco's death in 1975, Catalonia has recovered the autonomy that the dictator quashed at the end of the civil war, but its relations with the central government in Madrid remain prickly and riddled with suspicion.

The very phrase that Mr. Dali used in his will, *estado Español*, or Spanish state, is typically uttered with contempt by Catalan nationalists. Now a native son was flinging it back in their faces.

Temper boiled over. Max Calber Garcia, a former culture minister in the Catalan government, denounced Madrid as "an occupation force" that had high-handedly seized the region's patrimony.

Saying in public what many Catalan officials



Debrajey Mithal/The Associated Press

The artist is to be buried at the Dali Theater-Museum in Figueras, Spain.

Klosk

Shevardnadze

To Visit Cairo

CAIRO (Reuters) — Eduard A. Shevardnadze will visit Egypt this month, the first such trip by a Soviet foreign minister in 17 years. Ambassador Gennadi Zhuraviev said Sunday. Iraqi reports said the visit would center on plans for a Middle East conference.

MONDAY Q&A



Senator John F. Kerry of Massachusetts talks about drug trafficking and the Iran-contra affair. Page 2.

Business/Finance

Net withdrawals from U.S. thrift institutions reached a record in December. Page 11.

Personal Investing

Investors try to spot the winners in Western Europe's television revolution. Pages 7-9.

Senator Doubts Bush Will Force a Showdown With Noriega

Senator John F. Kerry, Democrat of Massachusetts, a member of the Senate Foreign Relations Committee and head of the Subcommittee on Narcotics and Terrorism, has chaired hearings dealing with General Manuel Antonio Noriega of Panama and Oliver L. North, He spoke with John McMurtrie of the International Herald Tribune about drug trafficking and the Iran-contra affair.

MONDAY Q&A

Q. You've investigated the relation of narcotics trafficking to national security in hearings based on reports that George Bush was briefed on General Noriega's drug trafficking and money laundering as early as 1983. What have you concluded from those hearings, with regard to Mr. Bush?

A. There was evidence that Bush was briefed. There was not conclusive evidence, and one had to draw one's own conclusions based on the evidence. My sense is that he understood what was going on.

Q. Do you believe, as a former State Department official testified, that a decision was made by the administration to put General Noriega on the shelf until the Iran-contra affair was settled?

A. Positively. Without any question.

Q. What do you think will happen to General Noriega during the Bush administration?

A. I would be very surprised if the administration moves heavily. Whatever they do they will try to do in a way that is agreeable to Noriega.

Q. President Bush has spoken of a continued war on drugs. How would you see his war differing from Ronald Reagan's effort?

A. Well, it shouldn't be too hard to differ because we don't have a war on drugs in this country. It's a euphemism, and until we allocate funds for law enforcement, prosecute rapidly, have real sentences that people know they're going to serve, you're not going to have any deterrence. Until you have adequate education and treatment, you're not going to get at the demand side of the problem.

Q. But what kind of control do you think Congress would have over the use of the troops?

A. The same kind of control we have over the bombing of Libya or the invasion of Grenada. We have to get over the notion that this country can't judiciously and sensitively employ some measure of military effort in order to accomplish an agreed-upon goal, simply because of the memory of Vietnam.

Q. What went wrong with the Iran-contra investigation?

A. There was not enough of a mandate of patience in Congress to pursue it. The Iran-contra committee fundamentally truncated the effort because of the sense that they had to complete it by a certain time period. My impression is the Iran-contra committee should never have cut a deal with Oliver North.

Q. Do you see any changes in the new administration with regard to terrorism?

A. No, I think George Bush's view is essentially that you don't negotiate. I think he's going to take a hard line and I think that's what you have to do. The lesson of Iran-contra for, certainly, George Bush but even for others in the immediate aftermath will be: Don't do it again.

Q. Are the contras a dying force?

A. No, I don't think they're dying. I think what was once a rag-tag band that was essentially CIA-driven and sponsored has probably evolved into a more legitimate opposition. There are some very dedicated people among them who legitimately and appropriately want to change the course of events in Nicaragua and I'm not unimpressed of that. I'm unimpressed of our clandestine creating and supporting a military overthrow of a government in ways that aren't in the best traditions of our country.

Q. And with Mr. Bush as president, that's not something to worry about?

A. I think he'll be very careful about that.

U.S. Legislators Say Israeli Record on Rights Could Hurt Aid

By Robert Pear

WASHINGTON — Members of Congress responsible for setting foreign aid levels say that Israel's treatment of Palestinians to the occupied territories is unacceptable and could weaken congressional support for American aid to Israel.

The chairman of the congressional panels that appropriate foreign aid, Representative David R. Obey, Democrat of California, and Senator Patrick J. Leahy, Democrat of Vermont, said last week that human rights would be a more important consideration than ever in foreign aid decisions.

They said Congress was unlikely to cut aid for Israel this year but added that Israel could not in the future count on receiving the same amount — \$3 billion a year — if it continued to shoot at Palestinian demonstrators, deport them, detain them without trial and blow up their houses.

Legislators are increasingly open in their criticism of such actions, which were rarely mentioned at congressional hearings last year.

Mr. Leahy said that on a trip to Israel last month, he was "very humbled" with Israeli officials in discussing "serious human rights violations on their part."

He said, "They will get their money this year. But they build up enormous resentment in the United States, and in the future it will hurt them."

Israeli officials have rejected such criticism, defending the conduct of their soldiers as an appropriate response to violent Palestinian demonstrations who pose a danger to Israeli security.

Mr. Obey and Mr. Leahy are looking for new ways to the foreign aid to progress on human rights, not only in Israel but to El Salvador, the Philippines, Sudan and other countries.

In separate interviews, the law-

makers endorsed the conclusion of a new State Department report that Israel's response to the Palestinian uprising "led to a substantial increase in human rights violations" in the West Bank and the Gaza Strip last year.

Any move to cut aid would be opposed by many of Israel's friends in Congress and by pro-Israel groups to the United States. They say that such aid advances American interests.

In addition, they say that Israel, shaken by the U.S. decision to start talking to the Palestine Liberation Organization, needs reassurance. In its absence, they argue, Israel is

unlikely to make concessions as part of a political settlement with its Arab neighbors.

Mr. Leahy and Mr. Obey are chairmen of the Foreign Operations Subcommittees of the Senate and House Appropriations Committees. They have an important say in determining which countries get foreign aid and how much.

Mr. Obey said that although Israel was not the world's worst violator of human rights by any means, the United States had "a higher visible responsibility" to investigate Israeli human rights practices because Israel got more American aid than any other country.

In the past, Congress has protected aid for Israel. But Mr. Obey said, "You really have to ask, 'At what point do you stop doing Israel a favor by exempting them from sharing the costs?'"

In a speech in Florida on Friday, Vice President Dan Quayle said it was not proper to judge Israel by "the grisly standards" of some of its neighbors.

"Israel judges itself, and is judged by others, on the basis of the standards which prevail in the democratic West," he said. "On the basis of these standards, the status quo on the West Bank and Gaza Strip is unacceptable."

U.S. Won't Break Off PLO Talks, Baker Says

By Thomas L. Friedman

NEW YORK TIMES SERVICE
REYKJAVIK, Iceland — Secretary of State James A. Baker 3d says the United States has decided not to break off dialogue with the Palestine Liberation Organization now, despite an appeal from Israel.

But in what appeared to be a warning to the PLO that the dialogue could be ended, he made it clear Saturday that attacks by Palestinian guerrillas against Israeli soldiers or civilians, inside or outside Israel, deeply troubled the Bush administration.

Mr. Baker made his remarks in a briefing with reporters aboard his air force jet at the start of a 14-day tour of Western Europe, during which he will consult with allies in the North Atlantic Treaty Organization about East-West relations.

The Israeli appeal followed a clash between PLO guerrillas and Israeli troops last weekend in southern Lebanon.

On Monday, the Israeli Embassy in Washington asked the State Department to sever its dialogue with the PLO, which began in December after the PLO chairman, Yasser Arafat, formally recognized Israel and renounced terrorism.

The Israelis argued that an infiltration attempt by five members of the Popular Front for the Liberation of Palestine, a Syrian-based PLO faction led by Georges Habash, in Israel's self-declared security zone in southern Lebanon, constituted a breach of the PLO's promise to refrain from terrorism.

The Habash group is a member of the PLO Executive Committee, but opposes Mr. Arafat's leadership. All five Popular Front guerrillas were killed when they were intercepted by Israeli troops before they were able to cross the Israeli border. The five were found carrying documents and weapons, including wire cutters, indicating that their mission was to penetrate Israel and attack.

Although the PLO headquarters in Tunis acknowledged that it was responsible for the operation, a spokesman argued that it did not constitute terrorism, since it did not take place in Israel and was a clash between Palestinian guerrillas and Israeli soldiers.

For the past week, the State Department has refrained from indicating whether the PLO action constituted a breach of Washington's conditions for maintaining the dialogue with Mr. Arafat.

On Saturday, however, Mr. Baker, choosing his words carefully, said:

"Our ambassador in Tunis made clear to the PLO that these are actions which present us with great difficulty. We are still getting information with respect to that. And we are not prepared to say at this time that this constitutes an action by the PLO which would cause us to break off the dialogue. We made the point that actions such as this directed against civilian or military targets inside or outside of Israel was something that gave us trouble."

Kuwait Says It Released 2 in Terror Bombings

By Patrick E. Tyler

WASHINGTON POST SERVICE
CAIRO — The Kuwaiti government has released from prison 2 of the 17 convicted terrorists whose liberty has been sought by pro-Iranian extremists in Lebanon who are holding foreign hostages.

The Kuwaiti interior minister, Sheikh Salim al Sabah al Salim al Sabah, said that the two men, Abdul-Mohsen Rashid Abbas, 35, and Nasser Matar Dahash, 30, had been released "a while ago" after they completed five-year prison terms.

They had been sentenced for their roles in bomb attacks in December 1983 on several targets, including the U.S. and French embassies in Kuwait. At least 5 persons were killed and more than 30 were wounded in the attacks.

Mr. Abbas was identified as an Iraqi, and Mr. Dahash as a Kuwaiti. Both had been convicted of possessing weapons and explosives.

Sheikh Sabah said the release of the men, who were deported to undisclosed destinations, was not in response to demands by extremists based in Lebanon. The pro-Iranian extremists want the prisoners held in Kuwait to be freed in return for the release of American hostages held in Lebanon.

Kuwait has firmly adhered to a policy of no capitulation to terrorist demands. The policy that was tested most recently when hijackers took over a Kuwait Airways jumbo jet on April 5. During a two-week ordeal the hijackers killed two Kuwaiti passengers while the plane was on the ground in Larnaca, Cyprus.

The hijackers had demanded the release of the prisoners in Kuwait, but after long negotiations Kuwait won the freedom of the passengers without making concessions on the prisoners. Kuwaiti officials have maintained. The deal also guaranteed the safe departure of the hijackers in Lebanon.

Mr. Mughniya is believed by Western intelligence sources to have taken part in the planning and direction of the hijacking of the Kuwait Airways flight and a number of other terrorist attacks.

Nine Americans and three Britons are among the hostages being held in Lebanon by pro-Iranian Shiite groups.

Of the 15 terrorists still in prison in Kuwait, three have been sentenced to death by hanging, seven to life imprisonment, four to 15-year terms and one to 10 years.

The sentences were handed down on March 27, 1984, by Kuwait's state security court. The death warrants necessary to carry out the three executions have not been signed.



BUSH BACK FROM CANADA — President George Bush and Secret Service agents in Kennebunkport, Maine, over the weekend after the president's Canadian trip. Mr. Bush pledged to Prime Minister Brian Mulroney in Ottawa that legislation controlling acid-rain pollution would be introduced in Congress this year. The president's environmental stance has drawn praise.

5 Die as Pakistanis Attack U.S. Center

By Richard M. Weintraub

WASHINGTON POST SERVICE
ISLAMABAD, Pakistan — At least five persons were killed and more than 65 were injured Sunday when police opened fire on protesters attacking the U.S. Information Service center, government radio and hospital sources said.

The crowd was protesting the American publication of "Satanic Verses" by Salman Rushdie, a book many Muslims consider blasphemous.

The demonstrators pelted the

fortress-like building with rocks and tried to set vehicles on fire as police sought refuge behind walls.

Eighteen people, including three Americans, were inside the building during the attack.

The U.S. Embassy, the American School and other U.S. facilities to the Pakistani capital were immediately shut down and personnel sent home. In 1979, a mob attacked the U.S. Embassy, killing four persons — two Americans and two Pakistanis.

The attackers at the center broke heavily protected glass windows,

partially pried a sheet of steel from the building's front doors and climbed up to the roof, where they pulled down the American flag.

No U.S. officials were reported injured in the attack, but the crowd turned on several American journalists after police opened fire. One of the journalists, Deborah Annis of National Public Radio, was cut on the back of the head with a stone.

The demonstration was organized by Islamic militants. They say Mr. Rushdie's book portrays the prophet Mohammed in a denigrating way. The book has been

banned in several countries and has sparked protests in many.

The mob approached the center about 2:30 P.M. and were confronted by a line of riot police. A number of the mobbers, however, slipped around the outside of police lines and began to attack the building. Police sources said that initially about 400 police officers were guarding the building.

"The police were just outnumbered and then, when they fired tear gas, it came back on them and many were incapacitated," a U.S. official said.

White House Says Tower Will Be Cleared

The Associated Press

WASHINGTON — President George Bush has reaffirmed his support for John G. Tower and expects the Senate to confirm his nomination as defense secretary and clear him of allegations about his financial and personal affairs, the White House chief of staff said Sunday.

"Every single allegation that is of significance that has been checked has produced a dry hole," said the chief of staff, John H. Sununu.

Mr. Tower appeared headed for easy confirmation until a conservative lobbyist, Paul M. Weyrich, testified before the Senate Armed Services Committee on Jan. 31 that he had seen the nominee intoxicated and accompanied by women other than his wife.

Since then, additional allegations have been raised. A confirmation vote has been delayed until at least Feb. 21.

"The Senate is in the process of doing about the same thing we did before the name went up," Mr. Sununu said on ABC-TV. "We chased down through the FBI all those allegations."

He said the president was convinced that "those allegations will be proven not to have any basis, and that when they do vote, John Tower will be confirmed."

Mr. Sununu did not address a report that said Mr. Tower gave contradictory testimony on his work as a consultant for the American subsidiary of British Aerospace.

■ Discrepancy in Evidence

Jeff Gerth of The New York Times reported earlier from Washington: Mr. Tower said in a divorce deposition in 1987 that he advised the British Aerospace subsidiary on the sale of commercial and military systems to the Pentagon, according to administration officials, though last month he told the Senate that he could not recall any defense work for British Aerospace.

In another development bearing on Mr. Tower's troubled drive for confirmation as U.S. defense secretary, the surgeon who treated him for cancer has said that he has conducted extensive tests and found "no evidence that the senator abuses alcohol."

The statements about British Aerospace were reported by Legal Times and The Los Angeles Times. The Los Angeles paper said Saturday that unidentified congressional sources say a "substantial discrepancy" that was causing concern in the Senate — more as a

reflection of Mr. Tower's veracity than because of the suggestion that a violation had been committed.

The Tower nomination is now stalled pending the Federal Bureau of Investigation's completion of its check into Mr. Tower's personal life and the finances of his campaigning for the Senate, from which he retired four years ago.

Administration officials said the FBI, though aware of the different accounts by Mr. Tower about his work for British Aerospace, was not investigating his statements or his relationship with the company.

George Dahlman, a spokesman for British Aerospace Inc., the British aircraft company's American unit, said the former senator had "primarily" advised the company on commercial matters but had also given "advice on what procedures do you follow to work with the system to find out what business you can do with the Pentagon."

Mr. Tower's June 1987 testimony

came to a deposition in connection with his divorce from the second of his two wives.

Kenneth M. Lyons, a Washington attorney who represented him in the divorce, said Mr. Tower had never reviewed or signed the deposition.

There would have been nothing improper in Mr. Tower's serving as a defense adviser to British Aerospace after his Senate retirement.

Administration officials said the FBI had examined the question whether his work for British Aerospace had required registration under the Foreign Agents Registration Act and had decided that, since Mr. Tower's contract was with the American unit of British Aerospace, he had not acted improperly by not registering.

But Saturday's issue of The Los Angeles Times quoted unidentified congressional sources as saying there was concern in the Senate about the nominee's veracity as a result of the difference in his accounts.

Mr. Tower earned more than \$200,000 from British Aerospace Inc., serving as a consultant and a member of its board from June 1986 until last December.

Last month Mr. Tower submitted to the Armed Services Committee a "summary of work performed for consulting clients."

Under British Aerospace, he listed a number of nonmilitary issues and then stated, "Recall no action in connection with any defense activities."

WORLD BRIEFS

55 Die in Sri Lanka Polling Violence

COLOMBO (AP) — At least 55 people were killed Sunday, the last day of campaigning before parliamentary elections — the first since 1977 — are held Wednesday.

The victims included 36 Sinhalese villagers massacred in the central village of Dutunawa, military officials said. The Liberation Tigers of Tamil Eelam, the most powerful Tamil guerrilla group, was blamed by the Foreign Ministry, but denied responsibility.

Elsewhere, 19 persons were killed. One victim was an opposition party candidate, the 14th to die since campaigning started five weeks ago. Officials blamed militant Sinhalese for the 19 killings. More than 1,000 people have been killed by militants, both Tamil and Sinhalese, since nominations for elections began Jan. 6.

Mitterrand Rebuffs Iran on Prisoner

PARIS (WP) — President François Mitterrand, rejecting claims by Iran, declared Sunday that France had made no commitment to free a convicted Lebanese killer to gain release of French hostages in Lebanon.

Iranian leaders said last week that the French government promised last May that the Lebanese, Anis Nasseh, would be pardoned to return for Tehran's help in freeing French hostages.

Mr. Mitterrand said Jacques Chirac, who was then prime minister, assured the president personally after the final hostage was released that French negotiators promised only to resume diplomatic relations with Iran.

Sihanouk Resumes Coalition Post

BEIJING (UPI) — Prince Norodom Sihanouk announced Sunday that he had resumed the presidency of the exiled Cambodian government, and he accused the major powers involved in peace negotiations of trying to force an unacceptable settlement on his guerrilla coalition.

Prince Sihanouk, who heads the coalition fighting a war against Vietnamese occupying troops, resigned as president in July but has effectively remained its leader. His move comes amid increasing diplomatic progress by the Soviet Union, the main supporter of Vietnam, and China, the chief backer of the three guerrilla armies, toward a political settlement.

The prince accused unnamed foreign powers of trying to force "an unjust and unacceptable solution" on the guerrillas. He said China had been pressuring the fighters to accept a compromise. The prince also complained of what he called a tendency toward "de facto recognition" of the Vietnamese-backed government in Phnom Penh.

Khomeini's Protégé Urges Changes

NICOSIA (Reuters) — The designated successor to Ayatollah Ruhollah Khomeini has urged Iran to erase what he called its image as a nation of killers and appealed for the rapid rehabilitation of dissidents.

"On many occasions we showed obstinacy, shouted slogans that frightened the world," said Ayatollah Hussein Ali Montazeri. "The people of the world thought our only task in Iran was to kill people."

In a speech Saturday marking the 10th anniversary of the Islamic revolution, Ayatollah Montazeri praised an amnesty for many political prisoners announced last week. "The pardoned prisoners must be treated humanely, provided jobs and allowed entry to universities," he said. He added that Iran must "put aside past mistakes and harsh treatments."

Accord Seen on Latin Peace Monitors

MANAGUA (WP) — With five Central American leaders scheduled to meet Monday in a new effort to bring peace to the region, President Daniel Ortega Saverio of Nicaragua has announced that the five governments and the UN secretary-general have agreed in principle to set up multinational teams to monitor and report cross-border attacks.

Mr. Ortega said Saturday that the teams, made up of observers from Spain, Canada, West Germany and Latin American nations, could be in place in all five countries within three months. The teams would verify compliance with a 1987 peace agreement that required Central American countries to expel guerrillas attacking their neighbors.

The meeting of the presidents of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua was originally scheduled for last August and had been postponed at least five times.

TRAVEL UPDATE

Tougher Air Terrorism Laws Urged

WASHINGTON (AP) — Federal authorities should expand tough new anti-terrorism measures to cover foreign air carriers with landing rights in the United States, said Senator Lloyd Bentsen, Democrat of Texas and chairman of the Senate Finance Committee.

In a letter to Transportation Secretary Samuel K. Skinner, Mr. Bentsen said that he was "dismayed" that emergency security precautions taken after the bombing of Pan American World Airways Flight 103 over Scotland apply only to domestic carriers with international flights.

"I do not think it requires a quantum leap in logic to conclude that as it becomes more difficult to penetrate the security of U.S. flag carriers because of their superior security systems, the terrorist threat may well shift to foreign air carriers which carry a large number of American passengers," Mr. Bentsen said. About half of the U.S. citizens traveling abroad fly on foreign carriers, he said.

British to Press for Bomb Detectors

LONDON (AP) — Britain will press at a special international aviation meeting this week for bomb-detection measures to be built into the design of aircraft, according to Transport Secretary Paul Channon.

The special meeting of the 33-nation International Civil Aviation Organization will be held in Montreal on Wednesday and Thursday. The meeting was called by the United States and Britain after the Dec. 21 air disaster over Lockerbie, Scotland. All 259 people aboard a Pan Am Boeing 747 and 11 people on the ground were killed when a bomb blew apart the jet.

It still has not been established whether the bomb, placed in luggage, was put aboard at London's Heathrow Airport or in Frankfurt, where the New York-bound flight originated.

British Airways cleared its fleet of Concorde shuttles on Saturday following safety checks that began after tiny cracks were discovered in the roof structure of one plane. The hairline cracks, on a bolt hole drilled into the roof, were found during routine maintenance in October. (Reuters)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

THURSDAY: Nepal.
SATURDAY: Cambodia.
SUNDAY: Nepal.

Source: Morgan Guaranty Trust Co., Reuters.

WEATHER

EUROPE				ASIA			
	HIGH	LOW			HIGH	LOW	
Algeria	C	F	11	C	F	11	C
Amsterdam	C	F	14	C	F	14	C
Antwerp	C	F	14	C	F	14	C
Athens	C	F	14	C	F	14	C
Berlin	C	F	14	C	F	14	C
Bombay	C	F	14	C	F	14	C
Buenos Aires	C	F	14	C	F	14	C
Calcutta	C	F	14	C	F	14	C
Cairo	C	F	14	C	F	14	C
Cardiff	C	F	14	C	F	14	C
Chennai	C	F	14	C	F	14	C
Cebu	C	F	14	C	F	14	C
Dakar	C	F	14	C	F	14	C
Dhaka	C	F	14	C	F	14	C
Dublin	C	F	14	C	F	14	C
Edinburgh	C	F	14	C	F	14	C
Frankfurt	C	F	14	C	F	14	C
Geneva	C	F	14	C	F	14	C
Hankow	C	F	14	C	F	14	C
Hong Kong	C	F	14	C	F	14	C
Kobe	C	F	14	C	F	14	C
London	C	F	14	C	F	14	C
Lyons	C	F	14	C	F	14	C
Manila	C	F	14	C	F	14	C
Medan	C	F	14	C	F	14	C
Memphis	C	F	14	C	F	14	C
Mumbai	C	F	14	C	F	14	C
Nairobi	C	F	14	C	F	14	C
Osaka	C	F	14	C	F	14	C
Paris	C	F	14	C	F	14	C
Perth	C	F	14	C	F	14	C
Prague	C	F	14	C	F	14	C
Rangoon	C	F	14	C	F	14	C
Reykjavik	C	F	14	C	F	14	C
Rome	C	F	14	C	F	14	C
Singapore	C	F	14	C	F	14	C
Stockholm	C	F	14	C	F	14	C
Strasbourg	C	F	14	C	F	14	C
Vienna	C	F	14	C	F	14	C
Warsaw	C	F	14	C	F	14	C
Zurich	C	F	14	C	F	14	C
MIDDLE EAST				LATIN AMERICA			
Amman	C	F	14	C	F	14	C
Cairo	C	F	14	C	F	14	C
Jerusalem	C	F	14	C	F	14	C
London	C	F	14	C	F	14	C
Tel Aviv	C	F	14	C	F	14	C
AFRICA				NORTH AMERICA			
Accra	C	F	14	C	F	14	C
Algiers	C	F	14	C	F	14	C
Asmara	C	F	14	C	F	14	C
Bamako	C	F	14	C	F	14	C
Beijing	C	F	14	C	F	14	C
Bombay	C	F	14	C	F	14	C
Buenos Aires	C	F	14	C	F	14	C
Calcutta	C	F	14	C	F	14	C
Cairo	C	F	14	C	F	14	C
Cardiff	C	F	14	C	F	14	C
Chennai	C	F	14	C	F	14	C
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Hong Kong	C	F	14	C	F	14	C
Kobe	C	F	14	C	F	14	C
London	C	F	14	C	F	14	C
Lyons	C	F	14	C	F	14	C
Manila	C	F	14	C	F	14	C
Medan	C	F	14	C	F	14	C
Memphis	C	F	14	C	F	14	C
Mumbai	C	F	14	C	F	14	C
Nairobi	C	F	14	C	F	14	C
Osaka	C	F	14	C	F	14	C
Paris	C	F	14	C	F	14	C
Perth	C	F	14	C	F	14	C
Prague	C	F	14	C	F	14	C
Rangoon	C	F	14	C	F	14	C
Reykjavik	C	F	14	C	F	14	C
Rome	C	F	14	C	F	14	C
Singapore	C	F	14	C	F	14	C
Stockholm	C	F	14	C	F	14	C
Strasbourg	C	F	14	C	F	14	C
Vienna	C	F	14	C	F	14	C
Warsaw	C	F	14	C	F	14	C
Zurich	C	F	14	C	F	14	C

AMERICAN TOPICS

New Yorkers Offer Bed-and-Breakfast

"When New Yorkers think of bed-and-breakfasts," The New York Times notes, "they might imagine a New England farmhouse in the woods or a European cottage by the sea. Rarely would they think of looking down the block or right next door." But increasingly, New Yorkers themselves are offering bed-and-breakfast accommodations to out-of-towners.

"Visitors are offered comfortable surroundings, continental breakfasts and a whole new way to see New York: as paying houseguests of real New Yorkers, rather than simply as tourists," The Times says. And at \$35 to \$125 a night for two persons, this can be considerably cheaper than a hotel.

Bed & Breakfast U.S.A. Ltd., a reservation service, estimates there are 1,000 such bed-and-breakfasts in New York City today, compared with fewer than 100 in 1981.

They are offered, in large part, by people who have room to spare because of grown children or departed roommates. Some live in the suburbs but have apartments in the city that they use only intermittently.

Short Takes

The cocker spaniel, the most popular dog breed in the United States since 1984, remains top dog, according to registration figures compiled by the American Kennel Club. It listed 108,720 cocker spaniels last year, a gain of 3,484 over 1987. Labrador retrievers, with 86,446, have moved into second place, displacing poodles, third with 82,600. Beginning in 1959, the poodle was America's favorite dog for 25 years, until it was nudged out by the cocker. In fourth, fifth and sixth places are the golden retriever, German shepherd and the chow chow, unchanged from 1987. With the popularity of guard dogs, Rottweilers moved from No. 12 to No. 7 last year while beagles slipped a position to eighth. Dachsunds remain No. 9 and miniature schnauzers fell from 8th to 10th.

Sports Illustrated's 25th-anniversary swimsuit issue is a big

ger cash machine than ever, The New York Times reports. The publisher, Time Inc., expects to gross about \$50 million from the issue and its spinoffs, including videotapes of the models. So far, 600,000 tapes have sold at \$20 each. On top of the magazine's base circulation of 3.4 million, Time Inc. anticipates a newstand sale of about 2.5 million copies at \$3.95. Normally, 130,000 newsstand copies are sold.

Some feminists are joking. The Washington Post reports, that anti-abortionists think Roe vs. Wade, the 1973 Supreme Court decision legalizing abortion, concerns two different ways to cross the Potomac River.

Notes About People

Paul G. Kirk Jr., outgoing chairman of the Democratic National Committee, has told associates that some of his friends are urging him to run for governor of Massachusetts now that Michael S. Dukakis says he does not plan to run for re-election in 1990. Mr. Kirk is moving back to Boston to resume his law practice. Said one fellow Democrat, noting that Mr. Kirk had gone to Hawaii to give a speech challenging President George Bush on the budget deficit: "He's not acting like a guy just going to practice law."

New York City's Riverside Church has named its first black head pastor, the Reverend James A. Forbes Jr., 53. He was raised in the Pentecostal, or revivalist, tradition in North Carolina, and is professor of preaching at Union Theological Seminary in New York. He succeeds the Reverend William Sloane Coffin Jr., who is leaving to head SANE-Freeze, a disarmament group. Built more than 60 years ago by John D. Rockefeller Jr., the nondenominational church has long been considered the most influential in main-line U.S. Protestantism. Today, roughly one-third of its 2,200 members are black or Hispanic.

Georgia's new Democratic congressman, Ben Jones, is making friends in Washington with one-liners. Example: Of course Georgia is cultured: "We've always had sushi. We just used to call it bait."

Arthur Higbee

Wayne Hays, 77, Dies; Ex-U.S. Congressman

WASHINGTON — Wayne L. Hays, 77, one of the most powerful men in Congress before resigning in 1976 after revelations about his relationship with a House clerk, died of a heart attack Friday in Wheeling, West Virginia.

Mr. Hays, a Democrat won election to the House of Representatives from Ohio's 18th District in 1948. In his 27 years in the House, he served on the Foreign Affairs Administration committees.

By the early 1970s, through a complicated combination of chairmanships, he had acquired great influence over his fellow representatives and the operation of the House itself.

White House May Discuss Tax Rises

By Paul Blustein

WASHINGTON — Richard G. Darman, the U.S. budget director, said Sunday that tax increases would not be "off the table" in budget negotiations between the White House and Congress.

But while offering what could be a significant concession to congressional Democrats, Mr. Darman made it clear that his statement was intended as an enticement to get negotiations started rather than an attempt to open the door to higher taxes.

Mr. Darman said it would not be "constructive" to set preconditions on the budget talks. But he asserted that President George Bush's opposition to new taxes remained firm, and added that if anyone participating in the negotiations wanted to take the politically risky step of proposing a tax increase, the Democrats would have to do so. Democratic leaders have said they would not make a move toward raising taxes before Mr. Bush did.

Mr. Darman's remarks, made on a CBS television interview, followed hints by top Democratic lawmakers that they might reject Mr. Bush's request to join in negotiations. A number of Democrats are upset about the failure of Mr. Bush to propose a detailed deficit reduction plan in his budget. They have asserted that the president is trying to take all the credit for "kinder and gentler" spending increases, while putting the onus on Congress to take the politically unpopular measures needed to achieve savings.

Mr. Darman predicted that the criticism of Mr. Bush's budget would pass in a few days.

From 1971 until 1976, he was chairman of the Administration Committee.

In 1976, The Washington Post published a story in which Elizabeth Ray, 33, said she was paid \$14,000 a year in public funds as a clerk on his House Administration Committee staff, but her only function was to serve as his mistress.

Mr. Hays later admitted that he had had a "personal relationship" with Miss Ray.

The revelations led to an investigation by the House Ethics Committee and the resignation of Mr. Hays from his committee chairmanships.

In August 1976, he announced that he would not run for re-election, citing his health and "harassment" from the press. He resigned from the House in September 1976. The Ethics Committee then voted to end its investigation of Mr. Hays on the ground that a former representative was not under its jurisdiction. The Justice Department, which was also conducting an investigation, decided not to prosecute.

Other deaths: Frank J. Buehler, 49, a copy editor for the metropolitan desk of The New York Times who also worked briefly at the International Herald Tribune, in a car accident Tuesday in Clifton, New Jersey.

Leon Festinger, 69, a psychologist who developed the theory of cognitive dissonance, of liver cancer Saturday at home in New York.

Sheikh Shabbat bin Sultan al-Nahayya, 80, ruler of Abu Dhabi from 1928 until he was deposed in 1966, Saturday in Abu Dhabi. The cause of death was not given.

Charles Lawrence Bolte, 93, a four-star U.S. general who was army vice chief of staff in the mid-1950s, Saturday in Alexandria, Virginia. The cause of death was not given.

Osumi Tenzaka, 60, one of Japan's leading cartoonists and animators, of stomach cancer Thursday in Tokyo.



Bishop Barbara Harris giving her blessing after her consecration. She is flanked by her mother, Mrs. Beatrice Harris, and Edmund Browning, presiding bishop of the Episcopal Church in Massachusetts.

First Woman Is Consecrated As Episcopal Church Bishop

By Peter Steinfeld

BOSTON — In a three-hour ceremony that was marked by joyous acclamation and strong protest, the Reverend Barbara Clementine Harris, 55, a black priest, became the first woman consecrated as a bishop in the Episcopal Church of the United States and the first in the broader Anglican Communion.

Fifty-five bishops and thousands of guests took part in the service. The consecration Saturday was a milestone for the Episcopal Church, part of the worldwide Anglican Communion, an association of 22 separate national churches, including the Church of England.

After the Episcopal Diocese of Massachusetts chose Barbara Harris last year to become a bishop, a major dispute erupted among Anglicans, with some calling for the Episcopal Church to withdraw from the Communion.

During the service on Saturday, there was a dramatic pause when Bishop Edmund L. Browning, the presiding bishop of the Episcopal Church in Massachusetts, announced, in the prescribed words of the ceremony, "You have been assured of her suitability and that the church has approved her for this sacred responsibility."

"Nevertheless, if any of you known any reason why we should not proceed, let it now be made known."

Immediately John Jamieson, a representative of the church's strongly conservative Prayer Book

Society, went to a microphone. He denounced the consecration of a female bishop as "a sacrilegious imposture."

The audience jeered and booed, and Bishop Browning begged for silence. Mr. Jamieson was followed at the microphone by the Reverend James Hopkinson Cupit Jr.

"I implore you not to proceed," said the Episcopal priest, who lives in New York. He said Anglicanism was only part of the "one holy apostolic church" and was "contrary to the unbroken tradition of 2,000 years of apostolic order."

Again calming the auditorium, Bishop Browning declared that the objections raised had been "broadly ventilated" since September, when the Episcopal Diocese of Massachusetts chose Ms. Harris to become a suffragan, or assistant, bishop there.

Debate continued throughout the church in the prolonged process of ratification by diocesan committees and bishops.

"Is it your will that we ordain Barbara a bishop?" Bishop Browning asked, following the ritual.

"That is our will," the congregants responded.

Later in the ceremony, the bishop-designate pronounced in a loud voice her promises to serve the church faithfully as a bishop. "I will obey Christ and serve in His name," she said.

The Episcopal Church has been

debating the role of women for decades. In 1970, it agreed to ordain women as deacons. Then it debated ordaining women as priests, and the question was decided by the church's General Convention in 1976.

However, two years before the General Convention's decision, 11 women were ordained in an unauthorized ceremony in Philadelphia's Church of the Advocate in 1974. Barbara Harris was an active member of the parish on Philadelphia's North Side, and she carried a cross in the unauthorized ceremony.

She was a public relations executive at the time, but eventually decided to seek the priesthood herself and was ordained in 1980.

Ms. Harris had been involved in civil rights efforts since the mid-1960s and after she was ordained, she maintained her outspoken criticism of racial barriers and of barriers to women in the church.

Some conservative church members objected that the next step, selecting a woman as a bishop, would only cement what they already considered a departure from church norms and a concession to contemporary culture.

A committee established by the archbishop of Canterbury is to meet in New York next month to study how branches of Anglicanism that have declared their readiness to ordain women as bishops can live peacefully with branches that do not.

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Food for Afghan Cities

Among all the tough decisions the United States faces in following up the Soviet troop departure from Afghanistan, one decision is easy: Feed the Afghans. Specifically, feed and care for the Afghan civilians who have flocked to Kabul and the few other cities that were, while Soviet forces were living in them, relative havens from the savage war that those same forces were inflicting upon the rest of the country.

Until now the Soviets have been responsible for providing food, fuel and other crucial items to the large numbers of Afghan civilians that the war has driven out of the countryside into the cities. The planes that took Soviet soldiers out brought supplies in. But the Kremlin no longer has the reason of military evacuation to send in new planes. It has given certain stockpiles to its Afghan clients staying behind. That leaves the civilians piled up in the cities at the mercy of the besieged Najib regime. That is what creates the requirement for outsiders to bring food in.

The guerrillas, however, have it in mind

to isolate the cities, closing not only the roads but (with Stinger missiles) the airports as well, to force the regime's surrender. They are mindful that the civilians are by and large their supporters, but they argue that tightening a noose is more humane than assaulting the city. A first cancellation of a relief flight by a United Nations plane loaded with 32 tons of medicines, blankets and high-protein wafers, has already been reported.

Reluctant to undercut the guerrillas' chosen tactic, the State Department has offered only conditional support for an emergency UN airlift of food into Kabul. It should abandon its hesitation and support the UN airlift unequivocally. The guerrillas must be urged to adopt military tactics that closely target the regime and spare civilians.

There has been too much suffering in Afghanistan for the United States and other donor countries to become even faintly complicit in a relief delivery policy that threatens the desperate and vulnerable civilian population with more harm.

—THE WASHINGTON POST.

Caving In to Japan

President George Bush's first formal foreign trip, indicating the importance of relations with Japan, will be to attend Emperor Hirohito's funeral later this month. But Mr. Bush is starting off on the wrong foot, having inherited an impending deal on fighter aircraft production that is decidedly unfair to the United States.

Japan needs to buy 140 new fighter planes. Instead of buying U.S. aircraft off the shelf, it plans to develop its own fighter, called the FSX. Grudgingly, it has agreed to pattern the new plane loosely on the F-16, built by General Dynamics. The Japanese contractor will receive F-16 technology and to return will throw a few crumbs of development work to its humble subcontractor, General Dynamics.

Obviously, Japan has the right to make this decision, and even to exclude U.S. manufacturers entirely. But, given Japan's enormous trade surplus with the United States and the mutual advantages of military alliance, Tokyo is surely unwise to use its muscle in this case.

The deal has two aspects, military and commercial. On the military side, Japan would be far better off buying F-16s off the shelf. The F-16 is the best fighter in the world. It is available now, not in the many years it will take to develop the FSX, and at half the price. The less efficiently Japan spends its own defense funds, the more of its defense burden falls on the United States.

On the commercial side, the F-16 is a quality product available at an unmatched price. America's annual trade deficit

with Japan was \$55 billion last year and is getting no better. Here is Japan's chance to prove that it wishes to help reduce that painful deficit.

So why does Japan insist on a deal that apparently makes no military or commercial sense for either partner? Because it seeks to build its own civil aviation industry. The general experience of developing and making fighter planes would surely help in that ambition, even if little of the technology were directly transferable to civilian aircraft.

Civil aviation is one of the few high technology areas in which America still holds an edge over Japan. Why help Japan undermine Boeing and other American manufacturers?

American allies, including Japan, have often co-produced American planes in the past. But the United States has not run a \$55 billion trade deficit with any of its partners before. The Pentagon insists that it got the best deal possible, but the Commerce Department apparently was not included in the negotiations and did not get a full chance to analyze the commercial impact of the arrangement.

The State Department will soon formally notify Congress of the FSX deal. Unless Congress acts, the deal will go into force within 30 days. Congress's duty is at least to raise the tough questions. And the Japanese could take the opportunity of Mr. Bush's visit to assure him that they put common interests above one-sided gain.

—THE NEW YORK TIMES.

A Fanciful First Budget

George Bush was required by his contradictory campaign promises to send Congress a fanciful first budget, and he has. The relevant question now is not how defective it is, but what to do about it. The Democrats will hold a series of hearings aimed at proving that it is neither as tough nor as kind and gentle a deficit reduction plan as the president himself has claimed. They will be right, but Republicans will want to turn that the Democrats lack the political courage and discipline to propose an alternative, and they are likely to be right, too. The key to serious deficit reduction is a tax increase which, for their different reasons, neither party wants to be the one to propose. Can they somehow get beyond the politics, or does the country lose another year?

No new president plays Job. Mr. Bush spent more time Thursday night on those of his proposals which would reduce the deficit than on those which would reduce it. It was nice to have a president once again who recognized that there is genuine need in the society and proposed to sprinkle a little money around. If some of his proposals — cutting the capital gains tax mainly paid by the rich — would take the country in the wrong direction, others — expanding the negative income tax for the working poor with children — are promising beginnings for neglected parts of the society most in need. But that doesn't get the deficit down; Mr. Bush did better with the sugar than the pill.

1. The budget is based on optimistic economic assumptions that minimize the amount of cutting necessary to hit a given deficit target. Defenders say the economy has outperformed the dismal science for several years now and that economic forecasting is inexact. They are right. The government has also failed in each of those years to reduce the deficit as promised. If the economy is inexact, which side is it better to err on? No prudent steward would begin his term by minimizing the military risks that the country faces. Why, except for the obvious politics of it, minimize the enormous economic risks also presented by a hemorrhaging budget?

2. Having reduced the amount of cutting necessary, the budget does not even do all of that. The president spells out perhaps two-thirds of the savings which his assumptions require; the rest he leaves to be negotiated with Congress. The ones he did not propose are some of the hardest. The feeding program for women, infants and children and urban mass transit grants are put in the same pot. Which would go? He doesn't say. His sides say he forbore in the interest of comity with Congress, and it is

true he would have been denounced and dismissed if he had specified the cuts. Now he is denounced instead, whether fairly or prematurely, for having failed to lead.

3. The past few years have not been kind to the cause of truth-in-budgeting in either branch. The advent of a new administration seemed an opportunity to reverse this trend. The new budget instead obscures both cutting and cutting left undone, particularly with regard to programs for the poor. The president is portrayed as proposing a welcome expansion of Medicaid for women and children who are poor, but an extra money is put to the budget to fund it. The budget document says the two major federal welfare programs, Supplemental Security Income for the needy elderly, blind and disabled, and Aid to Families with Dependent Children, are "fully funded." It turns out that about 10 percent of the funds necessary to maintain each would not be protected, but subject to cutting.

Mr. Bush said he wants to negotiate with Congress. Everyone understands that such a process, by diffusing responsibility, will provide him with cover. In our view that is not a defect; if it will bring him seriously to the bargaining table, he should be provided with cover. So should the Democrats. The problem is the span of the negotiations. Right now the president is offering the Democrats the right merely to fill in the blanks in his budget, but the domestic spending cuts that he has not. That won't do it. The rest of the budget also has to be heaved onto the table, above all the possibility of a tax increase.

That is what Ronald Reagan finally agreed to after the stock market collapsed in 1987; that is how a modest but still constructive two-year budget agreement was reached in that year. Somewhere, whoever form the inevitable negotiations now take, however they are mediated with the diversity and normal processes in Congress, that now has to happen again.

The document which Mr. Bush sent to Congress on Thursday was less a budget than a dance card. It got him on the floor. The Democrats will try to fashion an equally artful and noncommittal response. Then maybe they can both get on with it. You already hear it said by some that this year is too soon or too hard, that next year, always next year, will somehow be a better time to act. But next year is an election year. How will it be any better then? The first year of the new presidency is the time of maximum opportunity, and Mr. Bush and Congress should both find a way to seize it.

—THE WASHINGTON POST.

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OPINION



Playing Out The Reagan Doctrine

By Stephen S. Rosenfeld

WASHINGTON — Most dramatically, the Soviet exit from Afghanistan but also in other strategic outposts, we see the peculiar generic problem that Ronald Reagan bequeathed to George Bush: how to wind down the anti-Communist guerrilla campaigns that the last president started up — or, in the Afghan case, revived — under the flag of the "Reagan doctrine."

It is a problem born, generally, of success. Measured by its broad purpose of trimming the Soviet Union's global adventures of the 1970s, the Reagan doctrine has worked: Soviet troops are leaving Afghanistan, Soviet-supported Vietnamese troops are leaving Cambodia, Soviet troops are leaving Angola. Even in Nicaragua, where Soviet support helped the Sandinistas hang on, the Bush administration continues to apply diplomatic and economic pressure to open the regime.

Another measure of success might be applied, less in celebration than in gratitude, by those who were skeptical of the Reagan doctrine from the start. It did not produce what they feared most: endless frustration and mounting in pressure for the United States to move from indirect to direct involvement — "another Vietnam."

The difficult requirement remains, however, to make sure that military success in the global contest with Soviet power is translated into political success for the forces of democracy and into regional stability. There is little sign that the new administration has figured out either its objectives or its tactics, and things do not look promising on the ground.

Afghan guerrillas are poised for a showdown with the Afghan Communist regime and for another showdown with each other. These two engagements are likely to pile new corpses and new burdens on a country staggering under past losses. American officials are grudgingly satisfied with the success of the anti-Soviet part of the resistance. But only now are they turning to the formidable task of closing down the Afghan killing machine — a machine that the United States had a major part in assembling. It is not pleasant to contemplate what a successor government in Kabul may look like, or whether one can be formed by any process other than a bloody free-for-all.

The American hand in the political-military squeeze that is seeing Vietnamese troops out of Cambodia was far less important than the roles played by the Soviet Union and China. But a crucial issue lies between the two of them: What happens to the genocidal Pol Pot, who has dominated the Cambodian resistance up to now? Surely the Reagan doctrine means more than exchanging one tyrant for another. From its geopolitical and geographical distance, the United States cannot count on having much of a say in the future governance of Cambodia.

In southern Africa, American backing of the insurgents in Angola contributed to U.S. success in regional peacekeeping. But the same backing also provides a formula for continuing the bitter Angolan civil war: Washington supports the UNITA rebels, Moscow supports the MPLA government. The alternative of "national reconciliation" of the two Angolan factions has to be pursued, but it is going to take skillful diplomacy at the superpower as well as at the African level.

In Nicaragua, the U.S. Congress deflated the military pressure that characterizes the Reagan doctrine, leaving the United States to work diplomatic and economic levers alone in trying to move the Sandinistas toward pluralism. Whether and how these can be used is about to be tested. In any event, the exercise will unfold in the shadow of an intriguing, not to say curious new development. Mr. Bush and James Baker last week hinted that they may, in the words of the secretary of state, "recognize" facts (the billion-dollar-a-year Soviet investment in Managua) and accept the Soviet Union as a regional negotiating partner.

It is not at all clear what the Bush team means here. But bringing the Kremlin in, even an ostensibly tamed and chastened Kremlin, would certainly be a strange denouement of a line of policy undertaken to get the Kremlin out. Especially is this so in a region where the old-line tradition of the Monroe Doctrine inclines the United States to oppose foreign power's reach into the region. In Nicaragua and elsewhere, the playing out of the Reagan doctrine holds some surprises.

The Washington Post.

Israel: 'The Status Quo Is a No-Exit Road'

By Anthony Lewis

"Mr. Prime Minister, to achieve order in the Casbah I have to act brutally toward people free of crime, too. I feel humiliated by this behavior. The situation has become a catastrophe. It's breaking us and strengthening the Arabs."

—An Israeli soldier, when Prime Minister Yitzhak Shamir visited troops in the West Bank city of Nablus last month.

NEW YORK — For 14 months now Israel has been trying to suppress the intifada, the Palestinian uprising, by force. Increasingly severe measures have exacted a heavy price on the Palestinians in the occupied territories.

At least 347 Palestinians have been killed; 20,000 have been wounded.

In 1988, 20,000 Palestinians were imprisoned — some after prosecution, more detained without trial on suspicion of participating in the uprising.

By military order, 157 Palestinian homes have been blown up and 54 sealed because someone in the family was suspected. Forty-five suspected leaders of the uprising have been deported.

Villages, refugee camps and even cities have been kept under curfew for days and weeks at a time. Telephone lines have been cut here and there, and international calls blocked to and from all of the West Bank and Gaza.

The measures taken by Israel against the uprising are laid out in the current issue of *The New Yorker* in a piece by Amos Elon, the noted Israeli writer. It is a powerful account of the human cost of these 14 months.

But Israel has paid a higher price for its policy

than have the Palestinians. That is the conclusion to which anyone reading Mr. Elon's somber article must come.

Israel now has three times as many soldiers on duty in the West Bank as the number needed to conquer it in 1967. They are doing policing that embitters many of them and, their officers fear, makes the army less ready for its real job of defending Israel's security.

The sense of law, so fundamental to the Jewish tradition, has been corrupted. Despite strong evidence of soldiers violating orders in the beating and killing of Palestinians, hardly any have been seriously penalized.

In the U.S. view, various measures have violated international law. The idea of collective punishment has insidiously taken over from individual guilt.

The financial cost to Israel is high: at least \$2 billion so far, some say nearer \$3 billion. That includes direct military expenditure, the decline in tourism and the impact on the economy of increasing military reserve call-ups to 60 days a year.

It all adds up to what the soldier told Mr. Shamir in Nablus: a catastrophe for Israel. That a soldier spoke as he did — and others, too — was a tribute to the democratic character of Israel. But the country's political leadership today is not up to the soldier's level of candor and honor in facing reality.

The coalition government's policy remains based on force. But force has not stopped the uprising so far. What more brutal measures would

be "effective"? Top military officers have been warning that it is not a military problem. The chief of staff, Lieutenant General Dan Shomron, said: "There is no such thing as eradicating the uprising, because in its essence it expresses the struggle of nationalism."

In short, the solution to the intifada can only be political. That means talking to the Palestinians. And that in turn means talking to the PLO. By now those who are not willfully blind know that the Palestinians in the territories want no one but the PLO as their negotiator.

Israelis are coming to accept that difficult reality. A recent poll showed 54 percent in favor of talking with the PLO. But the government spends its energy denying the reality. It says it will never talk with the PLO. Instead of encouraging the main-line Palestinian leadership's historic move toward a political settlement, it plays up the irreconcilable PLO extremist factions.

The logic of Mr. Shamir and his colleagues is to deny the political existence of the Palestinians. It is the logic of endless conflict, bleeding Israel's substance.

A conservative American Jew, Benno Weissman, professor of religion at Boston University, has just made the point in a moving way.

He was long opposed to dealing with the PLO, and he still does not trust it. But he has come to believe that a Palestinian state, like a Jewish state, is a historical necessity.

"I can't help being a realist," Mr. Varon wrote. "The status quo — intifada — is a no-exit road."

The New York Times.

Latin America: The Democratic Gains Are Flimsy

By Aryeh Neier

NEW YORK — During his confirmation hearings, the secretary of state, James Baker, asserted: "Despite guerrilla efforts, the democratic political process has become established in El Salvador." That familiar assessment is open to question, as was recognized implicitly when Vice-President Dan Quayle visited El Salvador a few days ago to deliver a warning about human rights abuses.

The civilian government of El Salvador exercises little authority. It is corrupt and inept, and the economy is in a shambles. The government is unable on its own to stem a rising tide of human rights abuses by its armed forces, by death squads and by the guerrillas. Despite \$3 billion in direct U.S. aid during the Reagan years and extensive U.S. training for its armed forces, El Salvador is not discernibly closer to ending the insurgency than when the Reagan administration took office.

In fact, many Latin American countries are basket cases. Although civilians occupy more presidential palaces now than they did at the beginning of this decade, their hold is tenuous at best. Few of these civilians enjoy actual power over the armed forces. Perhaps the major reason the militaries have not yet seized control is the potential blame that goes with

presiding over a devastated economy.

In the largest country in Central America, Guatemala, violent human rights abuses are proliferating again. The authority of President Vicio Cerezo may be even less than that of his Christian Democratic counterpart in El Salvador, the terminally ill José Napoleón Duarte. In the countryside, despite a constitutional prohibition, hundreds of thousands of Indian males must perform onerous unpaid service in civilian patrols.

In Honduras, where a military regime was giving way to an elected civilian government in 1981, the armed forces exercise more power than ever and are more abusive than when they held the presidency.

As for Nicaragua, the contra war has left tens of thousands of dead and wounded; hundreds of thousands have fled the country to escape the war, the Sandinistas and the bankrupt economy; the Sandinistas preside over a nation barely able to provide for its citizens' survival.

Costa Rica remains the only genuine democracy in Central America. Although it has preserved a good human rights record, it, too, has suffered economic decline.

Few would contend that democratic

gains have occurred in Fidel Castro's Cuba, General Prosper Avila's Haiti or General Manuel Noriega's Panama. As for Mexico, usually counted as a democracy, the reasons why some doubt that designation became apparent during its 1988 elections. The governing Institutional Revolutionary Party, which has never lost a major election since it came to power half a century ago, made it clear that it will take more than a voting shift to break its hold.

In South America, Colombia and Peru, which were in the democratic column when Ronald Reagan took office, today are beset by overwhelming violence, much of it politically motivated. The two governments have little authority and little hope of stemming the tide of violence, whether it is committed by forces nominally under their control, guerrillas, drug dealers or others.

Brazil's transition from military dictatorship, completed in 1985, makes the Reagan years look particularly good. This is especially true when the calculus is the proportion of Latin Americans living in democracies. Here, too, however, civilian government is burdened by vast economic woes and a deteriorating human

rights situation. Summary executions, death squad killings and torture of criminal suspects are pervasive in the cities. In the countryside, the murder of peasants and Indians in land disputes, and of the millions, lawyers and priests who take up their cause, are commonplace.

If advances in the rule of law and human rights are aspects of gains in democracy, the greatest headway has taken place in the southern cone countries of Argentina and Uruguay, and there is also a good prospect of progress in Chile. It is only in the last of these, however, that the Reagan administration deserves credit.

In Argentina and Uruguay, the U.S. government allied itself firmly with the armed forces while they held power. Fortunately, the Reagan administration backed away from General Augusto Pinochet to Chile starting more than three years ago and, particularly in 1988, backed those advocating democratic government. It was also an outspoken critic of human rights abuses by the now overthrown Stroessner regime in Paraguay. If the Bush administration sustains that pressure in dealing with the former Stroessner associates now in power, there is hope for democratic progress.

The new era of détente with the Soviet Union and progress toward ending regional conflicts in Asia, Africa and the Middle East are genuine achievements of the Reagan years. In contrast, developments in Latin America have been far from a foreign policy success. Perhaps the best that can be said is that the headway the Reagan administration made elsewhere in the world gives the Bush administration an opportunity to focus significant attention on helping to achieve the democratic gains that its predecessor claimed.

The writer is executive director of Human Rights Watch, which monitors human rights in Latin America. He contributed this column to The New York Times.

Panama's Deadlock Could Be Broken

By Flora Lewis

PANAMA CITY — On the face of it, there is complete deadlock. General Manuel Antonio Noriega, Panama's strongman, has withdrawn U.S. efforts to disarm him out of power, and Washington is not about to back down and accept him.

But there is a whiff of deals being reconsidered.

U.S. policy in the last 18 months has been a preposterous fiasco. And it does not help nor for Washington to dramatize its embarrassment with extravagant reports of widespread, aggressive harassment of American troops and the danger of American diplomats being taken hostage.

There is tension, but it is the sort that frustration brings, not the drumbeat of menacing violence. Of course, utter stupidity or the arrogant illusion of superior guile cannot be ruled out on either side.

But there are still lots of detours off collision course. The Panamanian economy is in a tangle because of U.S. sanctions, but the canal is functioning normally, at top efficiency.

Last May the United States and General Noriega negotiated an agreement that would have sent him out of the country and provided for a new, fairly elected government in return for lifting the sanctions and vacating the drug-trafficking indictment against him. It broke down at the last minute and there has been an impasse ever since.

Explanations differ. The State Department version is that lower-ranking officers of the Panama Defense Force threatened to get even if General Noriega arranged his own retirement in comfort and abandoned them without concern for their future.

Another version, from third parties in the talks as well as from pro-Noriega Panamanians, says the United

States wobbled on a pledge to bridge the gap in reserves until Panamanian funds could be unfrozen, and tried to lighten the conditions of exile in Spain.

Just before Secretary of State George Shultz took off for the Moscow summit meeting, Washington announced the collapse and said, "No offers remain on the table." That is not so obvious now. Both sides say there have been no new direct contacts, but they hint that bargaining could be taken up where it left off.

The government here gleefully hailed the end of the Reagan administration as a Noriega triumph and a new chance. President George Bush has said there will be no change in U.S. policy, but in a vague way he calls for democracy and a solution among Panamanians.

Elections are due on May 7. In any case, the term of Eric Arturo Delvalle, the deposed president whom the United States continues to recognize as head of the only legitimate government, ends at the beginning of September. The covey of bickering opposition parties has managed to put together a single slate.

It represents the business community and the old parties. They seem to admit the lack of magnetism with a campaign strategy casting the vote as a referendum of "yes" or "no" to General Noriega.

A failure to vote for them would equal "yes," they say. Inspired by the success of anti-Pinochet forces in Chile's referendum, they don't offer much else except a return to things as they used to be.

So far the public seems indifferent. A low vote would help the Noriega

ticket, although it is even more lackluster. The Noriega forces say they will welcome masses of foreign observers, who are preparing to come from Latin America, Europe and elsewhere.

The assumption is that there will be massive fraud and intimidation, nothing new for Panama, but compounded by fierce restrictions and maneuvers to cripple the opposition, including continued shutdown of their press and radio.

The way things are going, the government is manufacturing a worthless victory that would resolve none of its problems and undermine its argument that it deserves friendly Latin American support in a contest with the Yankee Goliath.

At least some of its strategists know that. The tide for democracy is swelling in Latin America, and the democratic leaders feel no compunction against supporting it on the ground of hallowed "noninterventionism."

Nationalism, resistance to U.S. dictation, remains a powerful argument, but it is no longer an acceptable excuse for military dictatorship, drugs and corruption.

So local politicians are also beginning to talk about a domestic deal, maybe before the elections, maybe after. It would provide for a coalition and retirement, fairly soon, of some senior officers, including, of course, General Noriega.

The United States would be wise to let the Panamanians and other Latin Americans take the lead now in finding the way out. There isn't going to be a winner, although if the United States leans from its Panama position not to deal with seemingly compliant thugs, it will come out ahead.

The New York Times.

100, 75 AND 50 YEARS AGO

1889: Island for Sale?

PARIS — Lord Wolesey will have another sensational topic for his next after dinner speech. The news of the impending sale of Helin, a Channel Island, to a German bank has aroused no inconsiderable alarm in France. Several papers actually urge M. Goblet, the Minister of Foreign Affairs, to raise a diplomatic incident with England. This is probably the first time a Frenchman was ever desirous of Great Britain retaining a possession.

1914: A Safe Parachute

PARIS — Since the aeroplane became an everyday means of locomotion numerous inventors have directed their efforts toward constructing and perfecting an apparatus which will permit an aviator safely to reach the soil in the event of an accident to his machine. These efforts have been generally crowned with but mediocre success, but yesterday [Feb. 12] at Juvisy, near Paris, M. Jean Ors-

successfully experimented with a parachute with which he dropped from a height of 300 metres.

1939: Cash Flow to U.S.

WASHINGTON — The first issue of a new information booklet issued by the Treasury discussed that European and other foreign investors sent \$219,232,000 of their savings to the United States for safekeeping in the frantic weeks following the Munich Conference. In the biggest flow of "hot money" — foreign capital sent to this country — in two years, European investors alone dispatched \$196,000,000 in the four weeks immediately after the four power meeting. The largest amount came from Great Britain, where there was the greatest fear of military disaster. Treasury figures showed that \$97,000,000 of the British "hot money" came from the British Isles while \$38,000,000 net inflow of capital from the Far East was only about \$1,000,000.

1989/02/13

'Afghan Lesson:' The Debate Begins

By David B. Ottaway

Washington Post Service

WASHINGTON — The Soviet military withdrawal from Afghanistan has touched off a debate among U.S. officials and scholars about what the "Afghan lesson" will come to mean as the superpowers grope toward disengagement from the regional conflicts of the past two decades.

In interviews in recent weeks, U.S. experts said that just as the December 1979 military intervention marked the end of U.S.-Soviet détente, the withdrawal was likely to go down in history as another landmark in superpower relations.

The retreat from Afghanistan is the first time Soviet forces have withdrawn under fire from any nation they have occupied since World War II. For the United States, Afghanistan was by far the largest, and first major successful CIA covert operation to roll back Soviet power in the Third World.

While Soviet domestic political and economic problems played a huge part in the decision to withdraw, the Soviet leader, experts said, the willingness of the United States to send advanced-technology battlefield weapons to the anti-Marxist mujahidin guerrillas also was of enormous importance in determining the outcome.

The Afghan war was critical on both sides in thinking about Soviet-American conflicts in the Third World, said Stephen Sestanovich, a former National Security Council Soviet specialist, now at the Center for Strategic and International Studies.

Even though Congress since 1980 had given bipartisan support to the covert funneling of foreign-made weapons and other aid worth hundreds of millions of dollars through Pakistan to the Afghan resistance, the Soviets seemed determined to fight on to guarantee the success of the Kabul regime.

But in a move that analysts, strategists and historians probably will examine for years, the Reagan administration in February 1986 broke with past rules of covert operations and decided to send U.S.-made arms, including the Army's most sophisticated infantry anti-aircraft missile — the Stinger.

The decision marked the end of the U.S. intelligence community's long-held strategy of never sending

"Made in America" arms, to allow for "plausible deniability" of U.S. involvement.

The CIA's operation from Pakistan was its largest ever and included clandestine arms shipments from U.S. and foreign sources.

Ultimately, it came down to the thousands of miles imported from around the world, including hundreds from Tennessee, that carried \$2 billion in arms and \$1 billion in other supplies from Pakistan into the Afghan hinterlands.

Representative Charles Wilson, Democrat of Texas, a leading congressional supporter of the Afghan resistance, asserted that the United States had emerged from the Afghan experience with a revitalized capability to aid such forces.

Among the unusual new weapons available:

• The Lightfoot antitank device, a small mortar designed to clear a path through a mine field. It fires a projectile carrying a 1,000-foot length of primed explosive across a minefield. The cord detonates when it hits the ground, setting off antipersonnel mines and clearing a six-foot-wide (two-meter-wide) mine-free corridor.

• A 127-mm shell for anti-aircraft guns that has a tungsten penetrator to breach cockpit armor and a phosphorus charge to set fires when it hits an aircraft.

• A 120-mm Spanish mortar modified by adding an extremely accurate aiming system that uses satellite data for firing target positions.

• A "mule-mobile" 122-mm multiple rocket launcher whose components were redesigned so they could be transported by pack animal instead of motor vehicle.

• A super-sensitive sound detector that can pick up helicopter noise miles away, giving Stinger-trained troops extra time to prepare weapons for firing.

But of all the advanced "Made in America" weapons dispatched to Afghanistan, none had more importance than the Stinger, a shoulder-fired rocket with a range of several miles and a guidance system that homes in on the heat of an aircraft engine.

It boosted guerrilla morale, neutralized Soviet airpower — allowing the resistance to take the offensive — and helped raise war costs to an unacceptable level for the Kremlin.

UN's Airlift to Kabul Halted After One Flight

Compiled by Our Staff From Dispatches

ISLAMABAD, Pakistan — The airlift of United Nations emergency supplies to Kabul has been suspended after only one flight, the UN official overseeing aid for Afghanistan said Sunday.

The official, Prince Sadruddin Aga Khan, said that Ethiopian authorities have refused to allow an Ethiopian Airlines plane, which carried 32 tons of medical supplies to Kabul on Thursday, to make further trips.

The prince said no reason was given for the decision.

The UN had initially chartered an Egyptian Boeing 707 to deliver the supplies because Kabul has severe food shortages caused by a siege by guerrillas and heavy snowfall.

The Egyptian crew refused to go because it considered the trip too dangerous.

In another development, the Afghan government Sunday announced the expulsion of three French journalists.

A spokesman for the Foreign Affairs Ministry said the three visited a province nearby without notifying the authorities.

He added that beginning Monday, foreign journalists must com-

plete forms stating where they are going and when they will return to their hotels.

In Washington, administration sources said that President George Bush has decided in principle to continue supplying the Afghan rebels with military aid as long as the Soviet-backed Kabul government remains in power.

Despite the continuing Soviet troop withdrawal, the Soviets have left behind large amounts of military hardware and sent in new equipment that make continued support necessary, the officials added.

In another development Sunday, an Iranian official left Tehran for Pakistan, heading a political delegation for talks on the future of Afghanistan, the official Islamic Republic News Agency reported.

Shiite Muslim Afghan rebels walked out on meetings in Islamabad with the Pakistan-based Sunni fighters on Friday amid differences over representation in a council, or shura, they are trying to form.

The council is intended to act as an interim government after the Soviet Union completes its withdrawal from Afghanistan.

(UPI, NYT, AP, Reuters)

Kissinger Offers Bush an East-West Plan on Central Europe

By Don Oberdorfer

Washington Post Service

WASHINGTON — Henry A. Kissinger, the former secretary of state, has proposed an East-West political settlement in Central Europe to end four decades of Cold War antagonism, according to Bush administration sources.

Mr. Kissinger discussed his ideas with President George Bush, Secretary of State James A. Baker 3d and other senior officials at the White House on Jan. 28, the sources said.

Mr. Baker is reported to be ready to order a serious study of the proposal, which calls for a broad U.S.-Soviet agreement involving trade-offs between the

Soviet Union and the West on Eastern Europe.

But some specialists on European affairs in the State Department have expressed deep dismay at the concepts, asserting that they would destroy the U.S. consensus on East-West issues, disrupt the Atlantic Alliance and provide unjustified benefits to the Soviet Union in Eastern Europe.

About the most positive thing said about Mr. Kissinger's ideas by several State Department specialists is that they are "quintessentially Kissingerian" in their ambition but "morally troubling" in their implications.

Mr. Kissinger's basic concept is that

the weakening of the Soviet-dominated Eastern bloc and, to a degree, of the U.S.-led Atlantic Alliance requires "the first comprehensive discussion about the political future of Europe since the outbreak of World War I."

The object of high-level East-West explorations, according to Mr. Kissinger, should be a political settlement involving trade-offs.

Sources familiar with Mr. Kissinger's ideas said that he envisioned further dramatic easing of Soviet political controls over Eastern European nations, as well as Soviet acquiescence in national self-rule without the threat of renewed military intervention.

In return, the West would provide some form of security guarantees that NATO would not advance into Eastern Europe or use nations in the East bloc in a way that threatens the Soviet Union.

As a deal is made and tensions are eased, Mr. Kissinger has suggested, major reductions in military forces of the East and the West could take place in Europe without dangerously weakening the two alliances.

Mr. Kissinger argues that dramatic changes are taking place in both blocs in Europe and that future arrangements based on political understandings between the principals on the two sides will be safer and more stable than a

situation that is just allowed to develop. Career officials said that a central objection to Mr. Kissinger's ideas is that his plan could involve U.S. complicity in consigning Eastern Europe permanently to the Soviet sphere of influence.

The Atlantic Alliance, specialists said, would have great difficulty now reaching consensus for negotiating an arrangement as conceived by Mr. Kissinger.

Moreover, these officials say, the Kissinger plan would involve paying the Soviets a price that they are not requesting in order to obtain a loosening of their grip on Eastern Europe. Such a process is already under way.



An Afghan Army 155mm cannon firing at the enemy from a base on the southern outskirts of Kabul.

NATO: Baker Is Testing Winds of Change in Europe

(Continued from Page 1)

the outlook for East-West relations in the three months since George Bush was elected president, according to officials and foreign policy experts in London, Paris and Bonn.

Increasingly, Washington will have to respond not only to Mr. Gorbachev's initiatives but to the spreading perception in Western Europe that the ideological and military division of the continent created by World War II is being eroded and may now be replaced by a still-undefined relationship, remarks by officials and analysts imply.

"Things have begun to move in Europe," Foreign Minister Hans-Dietrich Genscher of West Germany told an economic conference in Davos, Switzerland, two weeks ago. "Europe's future is openness. Europe must find its peaceful order."

"Anyone who adheres to outdated hostile preconceptions," he said, "is opposing the tide of history."

As Mr. Genscher's comments suggest, Mr. Baker will find Western Europeans looking for signs that the new Bush team understands and supports the profound changes in the climate of East-West relations as they are understood in Europe.

Nicholas Ashford, foreign editor of The Independent newspaper in London, published an open letter to Mr. Baker on Saturday that sought to sum up the feelings of Western European citizens.

"We see," said the letter, "in the changes taking place in Soviet foreign and domestic policies, an opportunity for bringing down the barriers which have divided Europe for almost half a century."

"We no longer see the continents

of the Warsaw Pact as a threat, but as a region which is hungry for Western ideas, exports, expertise and tourists."

In West Germany, a recent poll showed that 80 percent of those questioned favor removing nuclear weapons from German soil. The impact of Mr. Gorbachev's initiatives on Bonn's coalition government and on public support for the North Atlantic Treaty Organization offers the Bush administration its first serious test in alliance management.

Within the past week, West Germany has canceled plans to develop a new non-nuclear tactical missile and served notice that it would not be pushed in to a quick decision on accepting a new generation of U.S. tactical nuclear missiles on its soil.

In each case, West German spokesmen cited the "dynamic" atmosphere created by Mr. Gorbachev's Dec. 7 announcement of unilateral reductions in Soviet armed forces.

An intensifying pace of visits by NATO leaders to Moscow and to Eastern Europe in recent months indicates that America's European allies are seeking out individual profiles in economic and political dealings with the East, officials and analysts acknowledge, while stressing that these dealings will not di-

lute a common NATO approach on military strategy.

NATO unity in the Gorbachev era will receive one of its strongest tests in the new negotiations with the Warsaw Pact on reducing armed forces in Europe that begin in Vienna on March 6.

The British foreign secretary, Sir Geoffrey Howe, said in a recent interview that he expected the Vienna talks to get off "to quite a brisk start."

"The Soviet Union is giving all the signs of wanting to tackle the agenda in a practical fashion," Sir Geoffrey said. But, he added, NATO policies and unity should be given the major share of the credit for having created progress in East-West relations.

In a tone that he acknowledged might sound defensive, he said that West European and American publics were too easily impressed by Mr. Gorbachev's appeals for arms control deals that might not significantly reduce Soviet military advantages in Europe.

"I don't want to sound comradely about it," Sir Geoffrey said, "but I think it proper to say that the Soviet Union has a well-stocked hat from which it can pull well-armed rabbits" when it suits Soviet political purposes to offer apparent concessions.

HUNGARY: Changes Endorsed

(Continued from Page 1)

should be officially deemed a "popular uprising" rather than "counter-revolution."

The distinction is of symbolic importance for Hungarians both inside and outside the party, and Mr. Pozsgay's statement was attacked by Mr. Groz and other conservatives.

The party chief initially appeared eager to force a showdown over the issue at the Central Committee meeting, saying publicly that leadership differences had gotten out of hand and that changes in top positions might be necessary.

In his account of the meeting, however, Mr. Groz outlined a compromise settlement under which the Central Committee adhered to the orthodox view that the rebellion had been taken over by "counter-revolutionary elements," but said that the fact that many

"decent" citizens of good will had joined in the uprising "became distorted in the last 30 years."

Though he said Mr. Pozsgay's statement was "premature," Mr. Groz said that no action was taken against the liberal leader and that the Central Committee had agreed that analysts "have to work on this question of whether it was a people's uprising or a counter-revolution."

"This type of dispute will go on for a long time," Mr. Groz added, saying that both the party and Hungarians should adjust to seeing open differences among senior party leaders.

Western diplomats in Budapest said the meeting's conclusion suggested that the uneasy balance between liberals and conservatives in the Politburo would continue, embodied by the power struggle between Mr. Groz and Mr. Pozsgay and their allies.

SOVIET: Opposition Is Attacked

(Continued from Page 1)

groups all claim to be growing, and at least two candidates sympathetic to these groups have a good chance on being on the ballot in the March 26 elections.

The new rules for reporters covering demonstrations were disclosed in an interview with Boris P. Mikhailov, head of the press department at the Ministry of Internal Affairs.

Mr. Mikhailov said reporters will be required to get passes from the police before covering demonstrations, marches and assemblies, as well as natural disasters and other events where the police "are taking measures to insure public order."

Western reporters covering demonstrations have sometimes been ordered away by the police or roughed up by plainclothesmen, but as a rule reporters have been admitted to such events without difficulty.

Mr. Mikhailov insisted that the

new rule was designed to avoid conflicts with police and would not be used to inhibit news coverage.

The attack on Soviet dissidents, printed in the newspaper Socialist Industry, was the harshest to appear in the mainstream Soviet press in months.

The article focused on men formerly imprisoned under Article 70 of the country's criminal code, which bans "anti-Soviet agitation and propaganda." They are Lev M. Timofeyev and Sergei I. Grigoryants, publishers of independent magazines that focus on human rights; Parviz Aikyan, an Armenian forced to emigrate last year; and Valeri A. Senderov, a campaigner for various dissident causes.

The men, who were all freed from prison under a 1987 pardon, were accused of being in league with foreign, anti-Soviet organizations tied to Western "special services."

Bonn Seeks to Tie an Updated Lance To East-West Talks, Analysts Say

By Joseph Fitchett

International Herald Tribune

PARIS — Western officials, analyzing West Germany's position on modernizing NATO's short-range nuclear missiles, say that Bonn probably wants arms-control talks to accompany any steps toward building new weapons.

This approach, they said, could emerge from North Atlantic Treaty Organization talks on a "comprehensive concept" toward dealing both militarily and politically with the Soviet Union.

Negotiations on such a plan were initiated by Bonn and are now under way. A proposal should be ready for a meeting of NATO heads of governments this spring.

Theoretically, the tactic of modernizing while negotiating would not derail NATO's plans to install advanced nuclear arms. But Western officials worry that it could start a process that would eventually eliminate ground-based U.S. nuclear weapons in Europe.

A U.S. official said the formula might also delay a decision on modernization for so long that it would become "too fraught with political overtones for any government to proceed."

But officials in Washington and London were cautious in trying to predict how their governments would react to an apparent shift in the West German approach.

"We're starting a new process," said a U.S. official, adding that "we

have not received a formal proposal yet but there's been a lot of talk and renewed interest about linking modernization to talks."

The United States and Britain have urged the alliance to proceed unilaterally with the development of new ground and air missiles and nuclear artillery to replace aged equipment, mainly the Lance missiles that will be obsolete by 1995.

Any negotiations about these weapons, they said, should wait until the alliance has time to assess the overall process of East-West talks on intercontinental missiles, conventional forces in Europe and chemical arms.

That approach has sustained heavy political damage in recent weeks under the impact of a campaign directed at West Germany by the Soviet Union and East Germany. Soviet and East German officials coupled nuclear curbs and military cuts with calls for NATO to cancel plans to replace the Lance missiles.

Chancellor Helmut Kohl of West Germany, by saying last week that he saw no urgency about nuclear modernization, appeared to withdraw from assurances reportedly given only a few weeks ago to Prime Minister Margaret Thatcher of Britain and President Francois Mitterrand of France that West Germany would accept modernization.

Now he apparently has yielded ground to Hans-Dietrich Genscher, his foreign minister and

a leader of the junior partner in his governing coalition. Mr. Genscher has been seeking new arms talks.

Although Mr. Kohl referred only to "a production decision" which technically could be left until 1992, officials in Bonn said that he appeared to be starting to seek a NATO decision to "keep the option" of modernization while negotiating.

The West German approach, as outlined by several officials in Bonn, centers on East-West negotiations to cut short-range nuclear forces. This involves the U.S. Lance missiles and the Soviet Union's SS-21 and improved versions of its Scud and Frog missiles. The heavy Soviet superiority in this category of missiles in Europe — 1,365 Soviet to 88 U.S. — make negotiations appealing in West Germany.

Many West German officials also approve of the negotiating formula because it roughly duplicates NATO's "double-track" decision to deploy Pershing-2 and cruise missiles while negotiating about Soviet SS-20s, all in the intermediate-range range.

Eventually, that process culminated in the elimination of both categories of missiles.

This time, however, a Bonn official said, a key feature in West German thinking is "to rule out in advance any possibility of totally eliminating weapons of this sort, stipulating instead that we want common ceilings, perhaps 88 launchers on each side."

Mr. Kohl has repeatedly stated his opposition to a "zero solution" on Lance missiles on the ground that it might lead eventually to the removal of all U.S. nuclear weapons from Europe.

DALI: Catalonia Shocked by Will

(Continued from Page 1)

were uttering behind the palms of their hands. Mr. Calmer accused the "cowardly" Mr. Dalí of having arranged a deal with Madrid to avoid tax problems that had arisen when he established legal residence in Monaco.

Mr. Dalí signed his will on Nov. 20, 1982, when a conservative government, led by Leopoldo Calvo Sotelo, was in its last days in power. The artist's attorney, Miguel Domenech, is the former prime minister's brother-in-law.

According to several highly placed officials, the Calvo Sotelo government had been profoundly concerned that Spain might see the Dalí heritage wind up in other countries, as much of Picasso's did after his death in 1973.

Those close to Mr. Dalí, however, said he had more reasons than tax worries to name "the Spanish state" as his heir.

Flamboyantly monarchist, the artist had been assiduously courted by King Juan Carlos I and Queen Sofia, who during their summer va-

cations dropped in on him and his wife, Gala, at their seaside home in Cadaqués.

In the months before he signed his testament, Mr. Dalí was awarded the Grand Cross of Carlos III and was named the marquis of Puig by the king, and plans were afoot in Madrid for a retrospective. Moreover, the painter's personal relations with Jordi Pujol, the president of the Catalan government, were stormy.

"Dalí was a Spaniard, not a Catalan," said Robert Descharnes, a French photographer who was close to Mr. Dalí in his last years and who obtained the right to watch over reproductions of the artist's work until the year 2004.

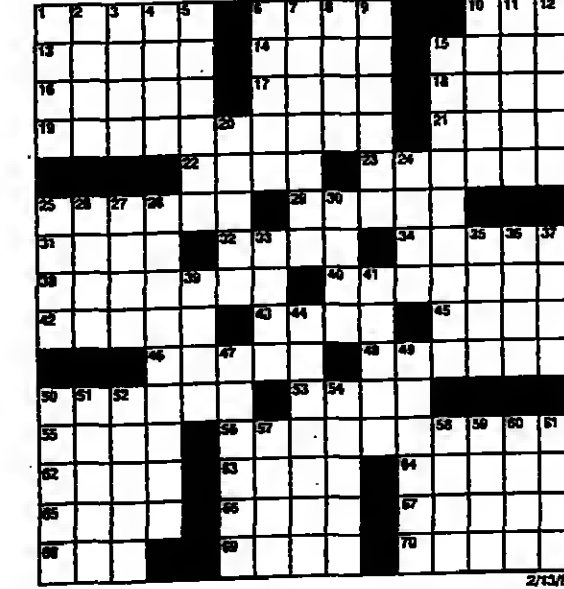
Mr. Descharnes, who has catalogued Mr. Dalí's work, estimates that the legacy includes fewer than 200 oil paintings, in all worth roughly \$300 million, as well as several thousand drawings, some sculptures and manuscripts, and the richly decorated Dalí residences in Cadaqués and Puigol.

ACROSS

- 1 Song creators' group est. Feb. 13, 1914
- 6 Sammy —, lyricist
- 10 — Gershwin, lyricist
- 13 S. American woolly animal
- 14 Frenchman's girlfriend
- 15 Pub drinks
- 16 Window parts
- 17 Art cult
- 18 City in Yugoslavia
- 19 Dishes for four persons
- 21 Thurmond of N.B.A. fame
- 22 Has creditors
- 23 Wears away
- 25 Hunting caravan on foot
- 29 Showy bird
- 31 Plant form
- 32 Kind of cone or chie
- 34 Lesser — (beetle)

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RASH ESE EAVES
IDA HAIRPIN BLUE
TENGERS ONESSELF
TENGABLE NERISSA
ERASES SOFTEN



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DOWN

- 1 Swiss mountains
- 2 Louver
- 3 First miracle site
- 4 Part of N.A.
- 5 Spiritual overseer
- 6 Staff officers' unit
- 7 Accumulates
- 8 Conceal
- 9 More idly
- 10 Homeric epic
- 11 Residue, in Rennis
- 12 Remains after combustion
- 18 Critical note maker
- 20 J.R. in "Dallas"
- 24 Opposite of Demis
- 25 Red and Baltic feet
- 26 43,560 square feet
- 27 Price of transportation
- 28 Capable of adjusting
- 29 Equipment
- 30 Upon
- 31 Acress Gwyn
- 32 Thrice, in Born
- 37 Long time period
- 38 Danube tributary
- 41 Yellowish-brown pigment
- 44 Performed
- 47 Alan Jay —, lyricist
- 48 Lists of mistakes
- 50 Title
- 51 Expanse
- 52 Area measured by a tailor
- 54 Hoods: thugs
- 57 Roof-edge overhang
- 58 Water pitcher
- 59 Composer Orff or von Weber
- 60 Become talligued
- 61 — Kerton, composer-debater

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A Monthly Report for the International Investor

Herald Tribune

Monday, February 13, 1989

PERSONAL INVESTING

FOCUS

Gold Funds Diversify

12-Month Returns

Percent total return in 12 months ended Feb. 2 of best-performing gold funds with total net assets of \$100 million or more.

Oppenheimer Gold & Special Minerals	35.1%
IDS Precious Metals	15.3%
USAA Investors Trust Gold	13.9%
Franklin Gold Fund	13.1%
Keystone Precious Metals	12.5%

Source: Lipper Analytical Services

But not all are laggards. For some the answer has been nongold investments. A good example is the top performing gold fund, Oppenheimer's Gold and Special Minerals fund, which generated a return of 35 percent over the past year.

"We have the flexibility to invest a substantial portion of the fund, almost all of it in fact, in nongold equities if we feel that there is more money to be made there than there is in gold," says Ken Oberman, the fund's portfolio manager.

A breakdown of Mr. Oberman's portfolio found 33 percent of its assets in gold stocks, 7 percent in platinum and the remaining 60 percent in a variety of metals and minerals, including aluminum, zinc, copper, steel, iron mining and ferro alloys for stainless steel.

Mr. Oberman says his largest nongold weighting is in aluminum and steel because "the outlook for the particular areas are generally good and there is not an awful lot of new supply coming on." As for gold, he says that the relatively low level of inflation, coupled with the stronger dollar, does not make gold especially attractive at this time.

"As gold got close to \$400, we began buying some additional gold properties, but now we're beginning to feel that maybe that was incorrect, that we really should wait until we see a weaker dollar or more inflation before we really build a gold situation up," he says.

Mr. Oberman is not alone in his strategy. August Arace of the Freedom Gold and Government Fund also is pursuing a nongold strategy. The fund generated a return of almost 5 percent over the last 12 months.

Mr. Arace breaks his portfolio down into roughly 13.5 percent in gold shares, 44 percent in mortgage-backed Ginnie Mies, 4 percent in short-term government securities, 30 percent in long-term government issues and 5 percent in cash.

"The only reason I didn't have a 7-percent or 8-percent positive total performance in that portfolio is because I had gold shares," he says. "Probably I shouldn't have had any. But I don't think you can do that because you do have inflation going along at 4.5 percent to 5 percent."

Some observers might say this is not a gold fund at all, and Mr. Arace would readily agree. "I'm ranked with Lipper as a gold fund because they don't know where to put me, but it isn't, in the ordinary sense of the word," he acknowledges.

Jeffrey Nichols, manager of the National Precious Metal Fund and an advocate of the more traditional sort of gold funds, says the big problem with such funds is that they do not offer a strategy for someone seeking a gold fund for diversification.

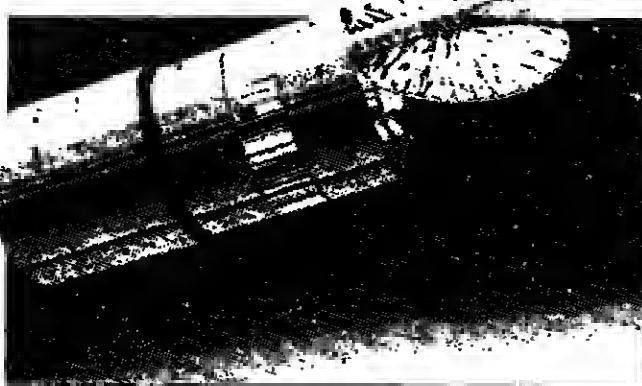
The fund that Mr. Nichols manages is fully invested at all times in precious metals. "We provide a vehicle for the investor who has made the decision that's where they want to be," he says.

Even though Mr. Nichols' fund had a negative return of 6 percent in the year ended Feb. 2, his argument is not uncommon. Pure gold funds may be philosophically opposed to such diversification despite poor returns. For many, the only answer to the dismal market environment has been direct investment in gold bullion. Traditionally, gold stocks are twice as volatile as bullion prices and tend to depress returns in a down market.

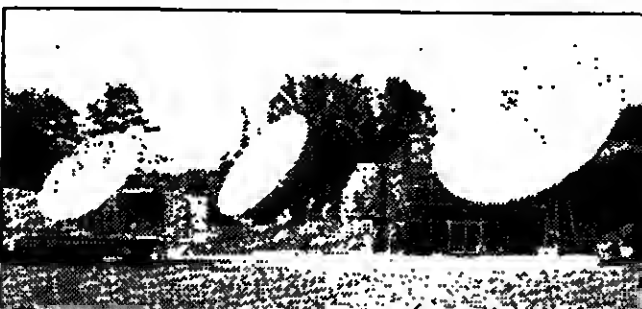
Douglas London of Souder's Gold Fund says he can hold up to 30 percent of his portfolio in bullion. Robert Radisch, manager of the Bull and Bear Gold Investors Fund, says his portfolio recently held as much as 22 percent in bullion, 6 percent in South African gold shares, 17 percent in Australian gold shares. The remainder was divided among other precious metals stocks, foreign bonds and cash. □

Michael D. McNickle

Cashing In on Europe's Broadcast Revolution



Above, artist's rendering of BSB satellite dish for launch this summer. Below, Astra's control facility near Château de Betzdorf in Luxembourg.



Video Games: Some Direct Plays

Carlton Communications: This \$400-million U.K. company is the largest independent maker of television programs in Britain and a major provider of post-production services. The company stands to be a beneficiary of any surge in European demand for TV programs and commercials. It is also a major player in video-cassette duplication and last year acquired Technicolor. Shares are listed in London and on the U.S. Nasdaq market.

Canal Plus: Often called the French equivalent of America's Home Box Office, this successful pay-TV group boasts 2.6 million subscribers reached through conventional broadcasting technology. The recently launched TDF-1 satellite could prove an important source of new The company has negotiated a number of ventures throughout Europe and holds stakes in the Havas advertising group and in Britain's TVS Entertainment (See below).

TVS Entertainment: One of Britain's independent regional television groups, the company made a major thrust into programming last year by acquiring MTM Entertainment of the United States.

Crown Communications: Last year's top performer on London's Unlisted Securities Market, this profitable radio group has won a five-year, £80 million contract to supply news programming to the BSB satellite consortium.

Amstrad: A maker of IBM-compatible personal computers that aims to be the main supplier of antennas and decoding equipment for the Astra satellite system. It has been joined as a supplier by Alba, also quoted on the London exchange.

Radiotechnique: Along the Thomson, a maker of television sets compatible with France's TDF-1 satellite system. Tonna Electronique, a small company on Paris' junior exchange will supply antenna systems for the satellite system. Tonna is also active in cable TV technology.

It's early in the game, but investors try to target winners.

By Jacques Neher

Paris

ON FEBRUARY 5, a spider-like Astra satellite, perched some 22,500 miles above the equator, started beaming television programs to an area stretching from England to Poland. The 16-channel Astra satellite joined France's five-channel TDF-1 in orbit, and this summer a consortium called British Satellite Broadcasting (BSB) plans to launch its own satellite, while new birds from West Germany and Sweden are expected to join the flock.

The satellite networks represent the latest stage in a sweeping expansion of Europe's broadcast industry that has investors scrambling to identify potential winners and losers. Analysts say that suppliers of programming, video services and satellite receiving equipment are in the front lines to benefit from a starburst of up to 200 new regional, national or trans-European channels expected to come into existence over the next few years.

Michael Green, chairman of Carlton Communications PLC, a British company that hopes to profit from the explosion in new channels, told analysts in New York last month that the changes mark "the beginning of a new era in European television," one that will create "new demand for programs and facilities across Europe."

The revolution is not limited to direct broadcasting from satellite. The technology has spurred governments to free up the terrestrial channels as well, permitting new commercial stations to compete with the state-owned broadcasters.

Following France's example in recent years, Spain now plans three new national and three regional channels, while new stations are also due in Portugal, Switzerland, Belgium and Denmark. In Britain, the government plans to redistribute franchises for that country's 16 regional independent television stations to the highest bidders while adding one or two new national commercial stations.

Though some of the new channels are being designed as pay-TV services, most are counting on advertisers, who by 1992 are expected to double their spending on European television to about \$21 billion, or 30 percent of all ad spending. In 1987, advertisers spent \$9.5 billion on television, or 23 percent of total media spending.

"Advertisers are hungry for more choice, more airtime and lower costs than competition, at least theoretically, will bring," said an international media planner at a major London agency.

Translating these changes into an investment strategy poses challenges at this early stage of the game, say analysts. So often in Europe, broadcast-related activities are just part of the activities of larger, complex companies. The profits from broad-

Continued On Page 8

Putting \$30 Billion to Work in Tokyo

Kenichi Tatcho of Nippon Life: 'Mostly we just buy.'

By David Russell

AS THE general manager of equity investment for Nippon Life Insurance, Japan's leading insurer, Kenichi Tatcho is a man who always seems to have far more cash than time to invest it. In a company whose president once said, "We have more money than we know what to do with," investing is sure to be a full-time job.

Indeed, it is professional investors like Mr. Tatcho at Japan's cash-laden financial institutions who have driven

the Tokyo market over the last few years to levels that make foreign investors shudder.

While foreigners have watched from the sidelines, Mr. Tatcho and his counterparts have poured money into stocks already trading at anywhere from 50 to 100 times their annual per-share earnings. Understanding the likes of Mr. Tatcho and Nippon Life—or Nissay, as the firm refers to itself—is crucial to understanding Tokyo's resilience.

The market closet of institutions such as Nippon Life is fairly recent, notes Mr. Tatcho. "Until about three years ago, we had nothing in Japan like Western-style fund management," he says. "We used to invest a small part of our new assets in stocks and simply put them away in a safe, like a bank."

In the past, about 60 percent of the firm's billions of dollars of new assets was lent to businesses. But when Nissay found the loan business growing lean, it adopted a more Western approach to managing its vast resources. With current total assets of more than \$160 billion and new assets growing at roughly \$27 billion per year, Nissay

has become a major player in both equity and bond markets in Japan and overseas. In Tokyo alone, its equities holdings total about \$30 billion and are growing steadily every year.

Mr. Tatcho, a neatly dressed, soft-spoken believer in the inevitability of Japan's—and by extension, Nissay's—economic growth, describes his operation in modest terms. "We have about 60 analysts," he says. "Every year we rate the market in five grades, 'A' through 'E,' from 'Buy' to 'Sell,' and start from there."

Despite the rating system, the company's main task is plowing its funds into the market, not shuffling its portfolio. "Mostly we just buy," acknowledges Mr. Tatcho. "We don't pay too much attention to a stock's price."

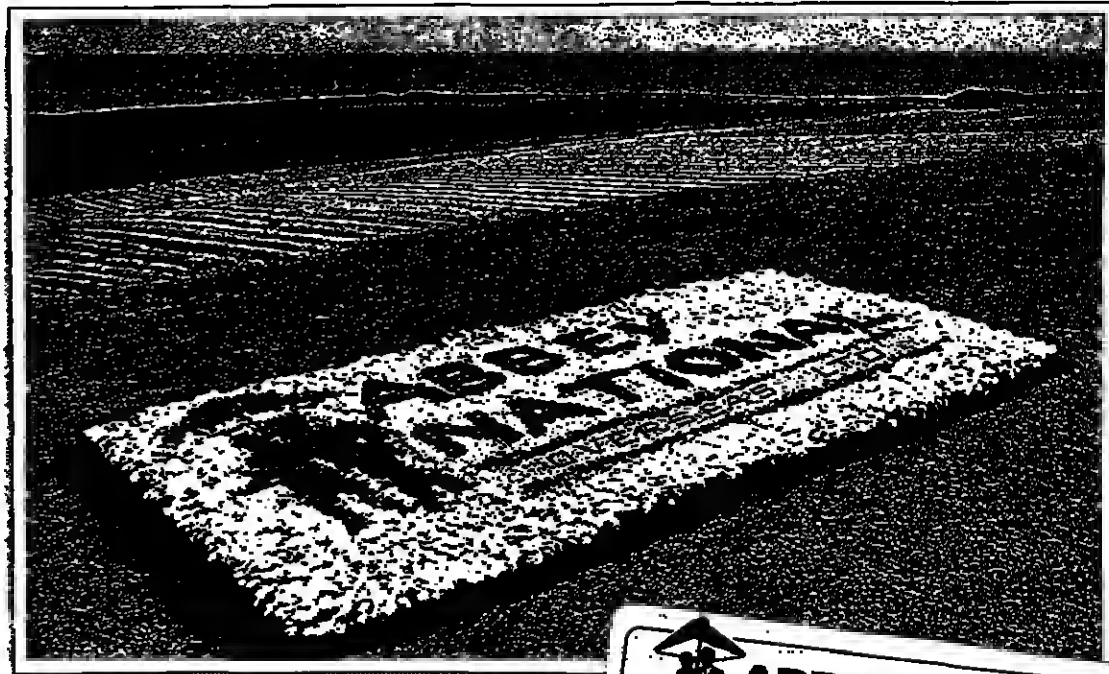
We're investing for the long term, and almost any issue is likely to appreciate in this market over the next three to five years."

He professes little interest in so-called market themes, such as investors' long-time fascination with the notion of the buildup in Japan's domestic economy. "We're not bullish on this sector or that sector," he says. "We're really buying the Japanese economy as a whole."

Instead, the emphasis is on the selection of individual companies. "Like other large institutions, we're generally looking for growth area," he explains. "We look for companies where we

Continued On Page 9

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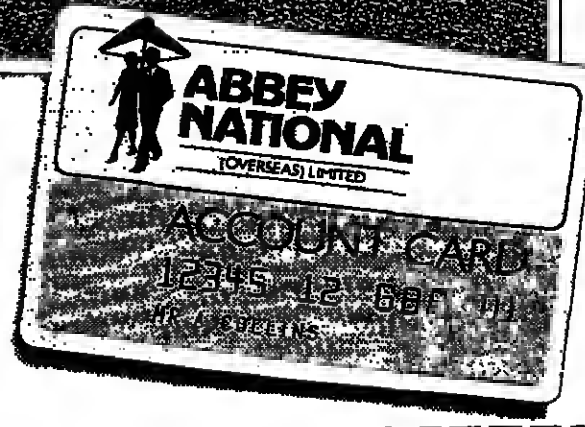
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FUNDS

Siege of Closed-End Funds Intensifies

By Cynthia Catterson

New York

CLOSED-END funds continue under siege as takeover specialists on both sides of the Atlantic try to reap big windfalls from the disparities between share prices and underlying asset values.

As with mutual funds, closed-end funds—investment trusts in Britain—are professionally managed companies that invest in stocks and bonds. But unlike their mutual fund cousins, closed-end funds have a fixed number of shares outstanding and trade like any other stock on an established exchange or over-the-counter. As a result, shares trade above or below the underlying value of a fund's assets, depending on demand.

Last year, bargain hunters in New York and London put more than a dozen such funds into play. Ultimately, they forced management of these funds to narrow share price discounts, liquidate fund assets, relinquish control or convert the portfolio to open-end status. This allows investors to redeem their shares at net asset value.

Over the last few months, several more have come under the gun. In the United States, the

Attacks increase on both sides of the Atlantic.

Cypress Fund, managed by Paine Webber, has come under attack by a group led by Twenty-First Securities. The \$36-million fund is trading at a roughly 15 percent discount to its net asset value of about \$9.

The group disclosed last month that it had 10.82 percent of the fund's outstanding shares and demanded that management open-end the fund or face a proxy battle. Robert N. Gordon, president of Twenty-First Securities, says he intends to liquidate the fund if he wins. Fund chairman Donald E. Nickelson's only comment is that the issue will be reviewed.

Elsewhere, shareholders have been seeking control of the Schafer Value Trust. Liberty All-Star Fund and Clements Global Growth for almost a year. Proposals are also outstanding on such funds as the Global Growth and Income fund and the Financial News Com-

posite Fund. Still others have announced sizeable positions in the France and Italy Funds, First Financial Fund, Dover Regional Financial Fund, Bancroft Convertible and Vestair Securities.

Thomas J. Herzfeld, an investment adviser whose firm specializes in closed-end issues, says that this activity marks just the beginning of a major shakeout in the industry. "In the past, you'd only see a takeover grow out of years of shareholder frustration. Now you are seeing groups form specifically to raid funds. What we've seen so far is only the overture. The curtain is about to rise."

The situation is similar in Britain, where until recently institutions have been long-term and loyal holders of investment trusts. But acquisition and reorganization activity has been heating up in the last year.

In January, London and Bishopsgate International Investments, Robert Maxwell's investment group, wrested control of the £73 million New Tokyo Trust from Edinburgh Fund Managers. And earlier this month, the management of the £94 million Cambrian & General Trust, once an investment vehicle for Ivan Bosky, accepted a cash bid from Lencasa National Corp.

Hamish Buchanan, research director at Com-

Continued On Page 9

STREET WATCH

BOURSES

TV Bets Focus on Producers

Continued From Page 7

cast-linked business can be diluted by the time they reach the bottom line.

A major question is just how hungry European viewers are for more television. A recent study shows that the average European household watches little more than two hours a day — not even one-third the time logged by American households — and media experts do not expect that to change. Moreover, households in most of Western Europe will have to spend between \$350 and \$500 on special antenna systems to receive satellite broadcasts, a price that could also dampen demand.

Alistair Tempest, secretary of the European Association of Advertising Agencies in Brussels, said that means that television audiences will be severely splintered, and that ad spending, though increasing overall, may not be great enough to support all the channels.

Despite these caveats, investors are beginning to zero in on several already successful companies that seem to have the resources and corporate connections to profit from the changes ahead. While some analysts predict a shakeout period over the next few years for some operators, the program and equipment suppliers appear to be

on firmer ground, at least for the short term. "It's the golden age for program producers," said David Grimbley, media industry analyst with UBS/Phillips & Drew in London.

Production houses will be in a particularly good position in Britain where more than 100,000 hours of extra programming per year could be required to fill the new satellite and terrestrial channels coming on stream over the next few years.

One of the direct plays on the European television boom is Carlton Communications, which London broker James Capel termed "a key player in the visual media revolution." Carlton, active in production, video services and equipment, has averaged a 50-percent earnings growth over the past five years, though James Capel says that 1989 earnings growth should slow to 20 to 25 percent, to \$105 million, due to Carlton's recent purchase of Technicolor, the

American film processor and video tape duplicator.

Carlton's Zenith Productions subsidiary is the largest independent film and program maker in Britain. Mr. Green said that a proposal in the upcoming broadcasting legislation requiring British television stations to buy at least 25 percent of their programming

from independent producers will boost Carlton further.

The company also stands to gain on the services side, where it offers ad agencies and program producers four post-production facilities such as Moving Picture Co. and Carlton television.

In France, the pay-TV company Canal Plus has built on its success to expand activities throughout Europe. André Rousselot, its president, said he hoped to win two transponders on TDF-1, which he sees as "the instrument of the future" and a tool to fuel the company's growth in the pay-TV sector. France's direct broadcasting satellite was launched last fall and the government will soon consider how to distribute its channels.

Under Mr. Rousselot's plan, one of the channels would carry Canal Plus's mix of movies and sports in France, eventually replacing the less geographically expensive, and more costly, terrestrial broadcast method. The other channel would be used to beam a similar service into German-speaking Europe. Earlier this month, Mr. Rousselot signed a 50-50 pact with German publisher Bertelsmann AG to invest up to 250 million Deutsche marks in Canal Plus GmbH, a pay service aimed at a market of 40 million homes.

Roland Gagnon, of Paris broker DKL James Capel, said Canal Plus is reaching saturation levels in France and needs to expand into other European markets for its future growth. It is already participating as a minority partner in pay-TV ventures in Spain and Belgium, and has a 20-percent stake in TVS Entertainment, a British independent television station that last year purchased the American television producer MTM Entertainment.

Since its founding in 1984, Canal Plus has captured almost 2.6 million subscribers in France. Last year it generated sales of 4.28 billion francs and net earnings were estimated at around 600 million francs — more than double 1987 profits.

In Britain, Crown Communications, a small radio group that expanded into program production, has already seen its stock price soar as investors zero in on its prospects. Crown won a £60-million five-year contract to supply news programming for British Satellite Broadcasting, the venture that plans to launch a five-channel service in England this fall. Crown, whose share price rose over fivefold last year, is now London Broadcast Co., which currently produces news programming for Britain's independent radio stations.

A host of companies, meanwhile, have geared up to supply

home reception equipment for the satellite operations. The biggest player in the market is Amstrad Consumer Electronics, the British computer maker, with 1988 sales of \$625 million. Amstrad promises in 1989 to supply 1 million dish antennas and receivers that can capture signals from Astra.

"We've been in consumer electronics for 20 years, but we've never been as excited about anything as we are about this," said Nick Hewer, an Amstrad spokesman. He said the market for satellite receiving equipment in Britain alone could eventually reach 20 million homes, or half of all British households.

How long it will take to reach that level, however, is an open question. Astra officials predict they will reach 800,000 to 1.15 million households in England by the end of 1989, while competitor BSB hopes to capture 400,000 homes by year-end. But the agency Saatchi & Saatchi is less optimistic, predicting that no more than 418,000 British homes will have bought equipment to receive either service in the period. Even if the satellite-dish industry does not pan out, Amstrad has tried to limit its downside by farming out production to subcontractors.

On the equipment side in France, Tonna Electronique, a supplier to the cable industry, has looked up to make an antenna system for TDF-1. Radiotechnique, a maker of television sets, could also benefit, as the new broadcasting technology made possible by TDF-1 could spark a strong television-replacement market in the years ahead, analysts say. Radiotechnique is also a supplier of decoding systems for Canal-Plus.

As closely held operations financed by consortiums, the satellite networks themselves have not offered investors much opportunity, but that may soon change. BSB is considering tapping the stock market later this year to help it raise £300 million pounds in new capital. BSB has already raised £353.5 million in equity and loans from its backers, which include the media companies Granada Television, Pearson and Reed International, and Bond Corp. of Australia.

"There is a lot of investor interest in the broadcast revolution and a carefully structured investment package could find significant interest among City institutions," said Mark Astaire, analyst with Hoare Govett in London.

If BSB comes to the market, analysts say investors will be betting on its chances at beating Sky Television carried by Astra — and Sky's owner, Rupert Murdoch — in the British market.

STRATEGY

Sizing Up 'Temp' Agencies

TEMPORARY-help agencies have been in the headlines lately, and not all of the news has been good.

Most of the attention has focused on the upheavals at Blue Arrow, the acquisitive-minded British employment agency that last year took over Manpower Inc. Blue Arrow made the news in January when the company's chairman, Tony Barry, was removed by the board and replaced by Mitchell Fromstein, who had himself been ousted only in December as head of the recently acquired Manpower.

Adding to the confusion was Blue Arrow's delay in reporting its 1988 results, and the resignation of its British broker, Phillips & Drew. The brokerage said it was quitting because of a lack of communication from Blue Arrow management.

Such upheavals understandably unsettle investors, but a number of analysts believe these stocks still have a lot of potential. And a recent study by A. Gary Shilling & Co., a New York economic consulting group, suggests that a number of demographic, social and regulatory developments bode well for the companies long-term.

Blue Arrow, the biggest company, remains a strong contender, though its recent earnings hardly set the market on fire. "The main businesses are all up 25 percent at least," notes Mark Sheppard at Phillips & Drew. "With Fromstein at the head, we're looking at a more stable situation in terms of management."

The earnings figures were good in absolute terms. "At Blue Arrow, though the market had been expecting slightly better results. Pre-tax profits for the year through Oct. 31 were \$75.1 million (\$131.7 million), more than double the \$29.1 million earnings in the previous year, the last full year of operation before the Manpower acquisition. The market, however, had been expecting about \$80 million in profit."

Even analysts who believe Blue Arrow may be a bit overvalued say the company's prospects remain good. "They are more expensive than other British employment agencies," says Roger Hardman of James Capel & Co. "But this is all a market judgment. The company is in sound condition."

Mr. Sheppard remains positive on the group as a whole and is encouraging clients to accumulate shares. He believes that both Blue Arrow and Swiss-owned Ade, the other leading player in the European market, should see about 15-percent increases in their business in the coming year.

Long-term lot of factors seem to be benefiting the temporary-help industry, says the Shilling study. The study bases its conclusions on the view that stiffening international competition will

January Market Scoreboard

	Percent Change	Price Jan. 31	Percent Change	Price Jan. 31
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New York Stock Exchange:

Compiled by Media General Financial Services. Prices in dollars		
Texaco Eastern Corp.	+72	48.25
Wheeling-Pittsburgh	+53	13.38
Charles Schwab	+52	10.25
Pacific Scientific	+50	14.63
Craig Corp.	+49	24.63
Champion Spark Plug	+44	19.25
Southern Union Co.	+42	11.75
Pacific Resources	+39	18.75
Quick & Reilly	+38	15.00
TCBY Enterprises Inc.	+38	15.50

American Stock Exchange:

HAL Inc.	+65	38.25
Lynch Corp.	+37	18.00
Maxam Inc.	+37	33.38
Turner Broadcasting	+36	23.00
California Energy	+33	22.25

Over the Counter:

Rockingham Bancorp	+118	15.25
W.A. Krueger Co.	+76	10.13
Actmedia Inc.	+76	13.63
Radianics Inc.	+61	19.75
Skippers Inc.	+57	10.00

London Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in pence

Magnet	+54	284	Hammerson Property (A)	-9	807
Facel Telecom.	+37	254	Storehouse	-4	189
British Steel	+30	79	Taylor Woodrow	-0.2	599
Meyer International	+26	435	Berford	+1	393
Bowthorpe Holdings	+24	191	Calor Group	+2	430
British Aerospace	+24	529	Pearl Group	+2	347
Ward White Group	+23	244	Johnson Matthey	+2	353
Rolls-Royce	+23	163	Lorho	+3	353
Unitech	+23	235	Morgan Grenfell	+3	304
W.H. Smith Group (A)	+23	282	Schroders	+3	915

Tokyo Stock Exchange:

Compiled by Morgan Stanley Capital International. Prices in yen

Mitsui Mining/Smelt.	+56	1,140	Kokusai Kogyo	-24	2,850
Sato Kogyo	+43	1,340	Janome Sew. Machine	-13	3,520
Otsuka Titanium	+39	2,150	Kokusetsu Paper Mills	-12	3,520
Mitsubishi Belting	+37	1,670	Japan Secur. Finance	-7	1,700
Nippon Soda	+36	900	Furushu Paper	-7	1,040
Iwatani	+36	1,130	Gakken	-7	1,008
Holmen Oil	+34	998	Tokyo Electron	-7	2,520
Koto Manufacturing	+28	4,290	Julio Paper	-6	1,180
Toyoko Kanetsu	+27	1,020	Yamatoko-Honeywell	-6	1,770
Yuasa Battery	+27	962	Mitsubishi Paper Mill	-6	1,770

force managers worldwide to watch costs carefully.

Temporary help offers a way for companies to adjust their workforce to production demands without incurring the overhead costs of fringe benefits extended to permanent workers. Some of these costs can be particularly steep in Europe. In the United States, the shift from a production-oriented economy to a service-based one has also opened the way to heavier use of part-time workers.

On the supply side, the U.S. wave of layoffs and early retirements from plant closings, mergers and acquisitions, and management buyouts has increased the supply of people willing to take part-time work. The movement in Europe to more part-time employment has been smoothed by the emergence of "portable pensions" and state-sponsored health programs that mean workers do not

have to hold a permanent job to obtain coverage.

National employment figures have shown some fairly strong increases in the percentage of part-time workers in the European employment force. Part-time workers accounted for 12 percent of the work force in France in 1986, up from about 8 percent in 1979, according to official figures. Britain's percentage rose to 21.6 percent from 16.4 percent in the same period. In the Netherlands, Norway, Sweden and Denmark, part-time workers now account for about one-fourth the total work force.

Even in Japan, where lifetime employment has been a key element in labor relations, part-time workers — called "freeters" — are a growing phenomenon. The number of these "irregular" workers rose 40 percent in the 12 months to October 1987, to a total of 6.6 million, according to the Shilling study.

The big growth in the industry

over the next decade may well be in professional fields, such as health care and financial services, instead of clerical and industrial jobs, which now account for 80 percent of the agencies' placements.

Robert Half International, which trades on the U.S. over-the-counter market, has specialized in providing tax, banking and data processing specialists. Asia businesses includes accountants on call. There are at least six other U.S. companies — including Hooper, Holmes, Hospital Staff Services Inc. and Staff Builders Inc. — in the business of providing health-care workers.

The "temp" field is not without its risks, though. The Shilling study notes that the temp agencies' business — and share prices — are typically hit hard in the early part of a recession. But they are also among the first industries to benefit when economic activity picks up.

Bruce Shantz

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18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25
26 27 28 29 30 31 32 33	26 27 28 29 30 31 32 33	26 27 28 29 30 31 32 33
34 35 36 37 38 39 40 41	34 35 36 37 38 39 40 41	34 35 36 37 38 39 40 41
42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49
GAME 4	GAME 5	GAME 6
1 2 3 4 5 6 7 8 9	1 2 3 4 5 6 7 8 9	1 2 3 4 5 6 7 8 9
10 11 12 13 14 15 16 17	10 11 12 13 14 15 16 17	10 11 12 13 14 15 16 17
18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25	18 19 20 21 22 23 24 25
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42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49	42 43 44 45 46 47 48 49

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BOURSES

Bets on Rising Dividends

The companies listed in the table below have each had 25 years of uninterrupted dividends and raised the payout in seven out of the 10 years.

Company	Current Annual Dividend	Yield	Prior 10-year Dividend Growth	Future Annual Dividend Growth*
Syntex	\$1.30	3.3%	1,751%	23.5%
National Medical Enterprises	0.68	2.7	750	10.5
Bristol Myers	2.00	4.5	442	17.5
Baxter Internat'l	0.50	2.7	400	12.0
Air Products & Chem	1.20	2.7	380	19.5
Masco	0.48	2.0	300	11.5
St. Paul Companies	2.00	4.4	186	18.5
Emerson Electric	1.12	3.7	180	10.0
NBD Bancorp	1.48	4.0	155	12.0

* Five-year estimate

Source: Investment Quality Trends, Value Line

Importance of Dividends

By Bruce Hager

WITH many analysts predicting an economic slowdown later this year, some investors are focusing less on companies with good earnings and more on those with a history of increasing their dividends in both good times and bad.

To speculative investors, the notion of a dividend play evokes images of stodgy but reliable utility companies that pay out year after year with little change in the price of the stock. But to analysts, the dividend — not earnings — is a true indicator of the financial health of a company.

"The dividend is real money," says Geraldine Weiss, editor of Investment Quality Trends, a San Diego newsletter, "if your dividend is being paid, then you know that your company has profits, because they would only be paying out of profits."

More important is that rising dividends usually beget rising stock prices, leading to a better total return.

As a result, many market analysts are seeking those undervalued companies that are most likely to raise their dividends in 1989. To do so, they key on three factors: yield, payout ratio and the past record of dividend payments.

Of the three, a stock's yield is the easiest to find. Quoted daily in the stock tables of major newspapers, the yield is calculated by dividing a stock's annual dividend by the current price. Like a price earnings multiple, the yield can act as a value measure and tell a prospective investor at a glance whether a stock — or the stock market — is worth the investment.

A high yield — over 10 percent — usually indicates a seriously undervalued company, which might mean the dividend is in jeopardy. On the other hand, a stock yielding less than 2 percent might mean either an overvalued company or one that is committed to reinvesting profits.

Investors look at the stock market with similar rules. Not long before the 1987 crash, the average yield on the S&P 500 fell below 3 percent, a warning that the market was historically overvalued. Although the current 3.5 percent level is more comforting, it is equal to the inflation rate. When stocks have been yielding more than the rate of inflation, stocks have trended upward.

Dividend players usually focus on stocks yielding between 3 percent and 6 percent as potential value plays. For example, Ms. Weiss likes Eastman Kodak, which currently yields about 5 percent. Historically, she explains, the price of the stock has been undervalued when its yield is this high. Conversely, the share price is known to peak at a yield of around 1.5 percent.

If the yield looks good, an analyst next focuses on the company's payout ratio, or the percentage of earnings, which are paid out in dividends. This is

calculated by dividing the current dividend rate by the company's estimated earnings per share.

The S&P 500 average is currently around 40 percent — the lowest level since 1979 — because earnings surged 40 percent last year. They are expected to increase again this year. To some analysts, that means many companies will have room to increase their dividends this year.

"Generally management and boards reflect in dividends what's happened in the past," says James Stratton, president of Stratton Management Co., a Plymouth Meeting, Pennsylvania, which manages a dividend mutual fund called Stratton Monthly Dividend Shares. "Nineteen-eighty-eight was an excellent year in earnings, so '89 will be an excellent year in rising dividends."

Each industry has a different payout ratio, however. Companies with limited growth opportunities, such as utilities, pay out a larger portion of their earnings than technology stocks, which reinvest earnings in research and development. As a result, the utility industry has a payout ratio around 80 percent, while technology stocks are often in the 15 percent range, if they pay a dividend at all.

Some analysts prefer stocks with a payout ratio that is less than average, coupled with rising earnings. The hope is that the company will increase dividends, thanks to solid profits.

One example is American Cyanamid, Dow Theory Forecasts, a newsletter based in Hammond, Indiana, that tracks the stock market, says this company should be raising its dividend this year. Charles Carlson, Dow Theory's managing editor, notes that the company has a current payout ratio of 36 percent, which is below the 40 to 60 percent average of recent years, while its earnings are expected to grow by 15 percent this year.

Mr. Carlson says the company could raise its dividend as much as 8 percent this year, compared with the expected S&P dividend growth rate of 5.5 percent this year.

Finally, to pick a stock with a potential for dividend growth, experts say that a company should demonstrate a historical predisposition to increase payouts. Ms. Weiss, for instance, looks at stocks that have 25 years of uninterrupted dividend growth, as well as those that have raised their dividend five times in the past 12 years. Generally, a dividend that grows at 10 percent a year for 10 straight years without interruption is considered good.

"When you have 10 years in dividends, you have a very strong management and a very stable kind of business environment," says Manick Kotwal, an analyst with Smith Barney in New York.

The brokerage firm recently screened 3,000 stocks using five basic criteria, including dividend annual growth of at least 10 percent or better over the last 10 years, no dividend cuts during the same period, and companies with a history of rising cash flow. The result was a list of 120 stocks, including Abbott Labs, H.J. Heinz and K-Mart, with estimated annual dividend growth rates of at least 10 percent or better. □

Computer Games Hone Investors' Skills

By Cynthia Catterson

HOW WELL would you do if you were given \$25,000 and 100 days to test your head at investing? These days a growing number of market simulation software games are giving individuals the chance to play the odds and find out.

In the past few years, software programs designed to mimic trading environments for stocks, commodities and real estate have allowed novice investors and professionals alike to experiment with daring investment tactics while avoiding the risk of financial bankruptcy.

"It's a way to get your feet wet without taking a bath," says Jordan Sachs, general manager at Britannica Software, a unit of Encyclopædia Britannica that markets several investment games such as its BlueChip Software line.

Brokers at such firms as Merrill Lynch, Shearson Lehman Hutton and Arthur Andersen have dabbled with such games and some universities use them in business courses. In addition, the products, which range in price from \$25 to \$150, have been sold through some discount brokers as a way to educate individuals who might otherwise entrust their investments to advisers at full service brokerage.

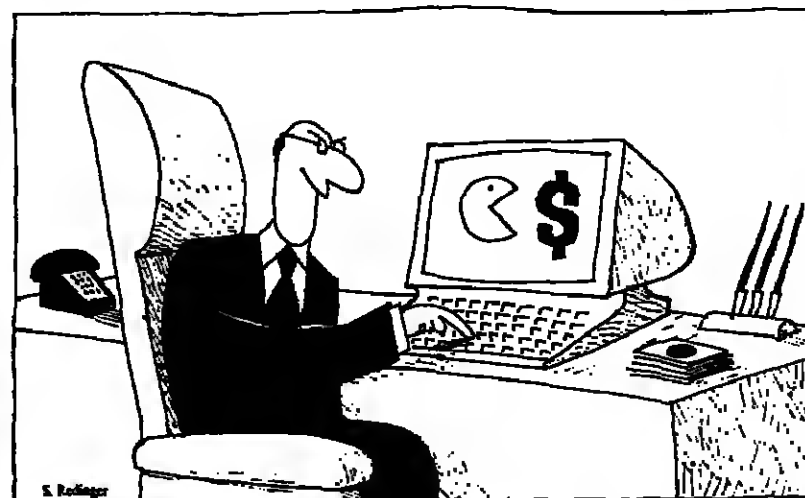
To be sure, developing a successful investment strategy is more than just fun and games, but some program developers are hoping that the simulated environments will help individuals become comfortable enough to apply to the real world such advanced maneuvers as futures and options trading, short selling and buying on margin.

"The idea is that once you understand the basic concepts, you'll be able to apply them to many different situations," says Maureen McKel, marketing manager at the Commodore Exchange, which sells Commodore The Game, a program that simulates the options and futures market for gold, silver and other commodities.

Avid investment gamblers can test their mettle against a variety of other, independently produced titles as well. For instance, Inside Trader dares players to profit from inside information without getting caught by the Securities and Exchange Commission. Britannica Software's roster of products includes Millionaire, one of the biggest selling stock market games; Baron, a real estate game; and Tycoon, a take-off on the commodities market.

The American Stock Exchange is in the act, too. In a joint project with Britannica Software, it developed a stock stock exchange program called The American Investor: The Official Simulation of the American Stock Exchange.

While most of the games provide decision-making aids such as tables and graphs of price and market movements and news



headlines, they vary in levels of difficulty, sophistication and realism.

Many randomly mix historical price trends and news headlines to create unique market environments. Commodore The Game draws on 15 years of price trend data to create a new economic scenario each time a new game is played. The New York Mercantile Exchange offers a similar version, Nymex Energy Options, or NEO, for oil options and futures.

Of the stock market simulators, The American Investor is intended to be an educational product, not a game, according to Charles Fauriol, director of Amex market data services. Accordingly, included in the Amex package is a comprehensive 70-page training manual and three program diskettes. "The focus is to teach individuals how to use fundamental and technical analysis, develop strategies and execute trades," he says.

American Investor, which sells for \$150, repeats news events and market motion for a nine-month period between 1985-1986. This may help earnest players learn from their mistakes, but there exists the temptation to profit from anticipated events like

the Turner Broadcasting's unsuccessful quest for CBS.

To start a trading session, players select an amount between \$5,000 and \$99,999 to work with. They then buy and sell individual stocks on the basis of a wide variety of research available in the program. This includes stock price charts, earnings reports, dividend notices, interest rates trends, option and stock price quotes and news reports.

Players are given fundamental and technical research for 47 Amex-listed stocks representing 10 industry groups — a universe roughly twice the size of those presented by other equity games.

Investors can establish long positions, trade put or call options or straddle their positions. A running statement keeps current the player's portfolio value, buying power and net worth. Transaction fees, commission costs and taxes are automatically deducted from the value of the portfolio and interest for uninvested cash will be added.

Investors can store their positions at any time, but the program ends when the player has become bankrupt or after 195 trading days have passed.

By comparison, the Millionaire is less complex and, at \$49.95, less expensive. It provides fictional data for trading 15 companies in five basic industries, but the materials are not as extensive as those provided in American Investor. The object of the game is to parlay \$10,000 into \$1 million in 74 moves or less. In the process, players move through five stages of trading complexity, from "novice" to "broker."

Novice players can only trade stocks. As net worth surpasses the \$100,000 mark, players are permitted to buy on margin, short sell and trade options. If the net worth of a portfolio drops below \$5,000, however, the game is over.

Overall, critics of the games complain that the programs can be more trouble than they are worth. For one thing, it is essential for individuals to be computer-literate. Those who are befuddled when learning new software will not get very far with some of these games. Moreover, even the simpler games can take several hours to complete.

More important, some of the programs may be too complicated for the inexperienced. This was a problem for David Schwartzkopf, a manager in the commercial auditing department at Arthur Andersen in Boston. He bought a copy of NEO for his department, which frequently works with clients in the energy futures markets.

"I thought it would help us understand our clients better, but it's not something just anyone can pick up and play. You need to have some background in trading to understand exactly what's going on," he says, adding that a more detailed instruction manual could possibly solve the problem.

Even without these obstacles, there is no guarantee that investors will make money in the real markets just because they have played the games. But promoters maintain that a confident, educated investor will have a more sophisticated view.

"We don't want to imply that an investor is going to get the same results on the stock exchange as he does in the game, but at least he'll know what types of questions to ask himself and his broker before making a decision," says Mr. Sachs at Britannica. □

FUNDS

More Closed-End Funds Fall

Continued From Page 7

ty NatWest WoodMac, estimates that more than \$1.25 billion disappeared from the \$20 billion investment trust sector as a result of the takeover activity in 1988.

The number of takeovers, restructurings and liquidations, according to Mr. Buchan, are not likely to abate until institutions cease to be majority holders of investment

trusts. The tide may ebb, however, he says, if the average discount of trust shares shrinks to about 13 percent.

"At that point the upside won't be as compelling," he says. The average discount of shares of investment trusts has come down from 19 percent in December to about 16.5 percent in the first weeks of February. Last year, discounts as deep as 22 percent were not uncommon.

Still, there are a number of takeovers in play.

Clydesdale Investment Trust has made a cash and convertible bond offer for the \$11 million Baillie Gifford Technology Trust. British Empire Securities, the group that played a role in liquidation earlier this year of \$8 million German Securities Trust, bid last week for the \$100 million Schroder Global Trust. □

PROFILE

Nippon Life: Buying the Economy

Continued From Page 7

don't have large holdings, and where we see solid future potential. "We have to take the long view, companies that will be growing for years, even decades to come."

Underlying that view, though, is Mr. Tatoh's tendency to emphasize certain types of stocks. For example, he admits a penchant for manufacturers in general, and electronics makers in particular. "I cannot imagine Japan in the future without successful electronics companies," he says.

In fact, the company already has such large holdings in blue-chip electronics names such as Matsushita, Toshiba, Hitachi and many others that it would have a difficult time increasing its exposure to the industry. That is why Mr. Tatoh's group is quick to see opportunity in companies that are suffering from what it regards as a temporary setback.

"Canon is a good example," he notes. "We had not had a position there before, but when the firm began to show red ink as a result of the yen appreciation, we took it as a sign to buy for the long term. Today we have a sizable holding."

The approach is not limited to electronics firms, however.

"When other people aren't focusing on a company for some reason, we get interested," says Mr. Tatoh. "Right now, we're looking at the pharmaceutical firms. They can be highly profitable; their industry in Japan is protected."

Other areas? "We're buying a lot of Honda," Mr. Tatoh reports. "We already hold a lot of Toyota and Nissan, so we're less inclined to buy them, but we feel Honda has real growth potential."

Western fund managers may find it odd that such a relatively small investment team manages such a large influx of new funds. But Mr. Tatoh notes that Nissay's position as a major shareholder in

many major companies helps it accumulate a "tremendous volume of information" about market conditions.

The importance of these business relationships often colors the investment strategy of major Japanese institutions. For example, Nissay competes with Japan's major trust banks for the lucrative business of managing pensions funds. It is usual practice for Nissay and other financial institutions to accumulate a share of client companies as a way of cementing a relationship. "If we buy more of a company's shares and hold onto them long-term, like a bank, we will surely see an increase in our pension fund business from that company," acknowledges Mr. Tatoh. □

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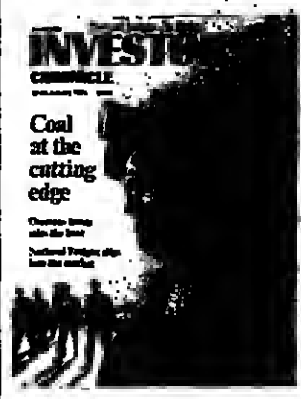
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INVESTORS CHRONICLE

The ins and outs of the ups and downs

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Full Model

REPRESENTATIVE OF THE DIAMOND INDUSTRY

OTC Consolidated trading for week ended Friday. Feb. 10

[illegible]

(Confirmed on next left-hand page)

هكذا من الأصل

THE 1989 Herald Tribune READER SURVEY

Each day, over 180,000 copies of the IHT are sold to readers in 10 countries around the world. To serve this diverse audience effectively, we need to know about its interests and characteristics. Thus, this questionnaire — our way of taking a periodic snapshot of our readers.

We need to know about you. And that means all of you — even new, even first-time readers. We established subscribers to past issues readers who look at a copy which someone else has purchased.

We would be most grateful, therefore, if you would take a few minutes to complete this questionnaire, fold it using the instructions on the reverse side, and mail it to the independent organization which conducts this survey, Research Services Ltd., in London. You need not sign the form unless you want to do so, and you can be sure that your replies will be treated in complete confidence.

As a gesture of our appreciation, we will make a donation to the charity of your choice for each completed questionnaire. The findings of the survey and the total amount contributed to each charity will be published in the IHT in the Spring.

This reader survey is conducted in confidence for our clients and advertisers alike, and we will be deeply grateful for your cooperation.

Robert H. Fisher
Chairman

1. Where did you read this copy of the IHT?
(Please check ☒ all that apply.)

At home ☐ 11
At work ☐ 2
Traveling locally ☐ 3
Traveling abroad ☐ 4
Elsewhere ☐ 5

2a. How often do you usually read or look at the IHT?

5-6 days a week ☐ 12
3-4 days a week ☐ 2
1-2 days a week ☐ 3
Less often than once a week ☐ 4
First time reader ☐ 5

2b. Where do you usually read or look at the IHT?

At home ☐ 13
At work ☐ 2
While traveling ☐ 3
Elsewhere ☐ 4

3. How many people, other than yourself, usually read your copy of the IHT?

One ☐ 14
Two ☐ 2
Three ☐ 3
Four ☐ 4
Five or more ☐ 5
More than one, but don't know how many ☐ 6
No one else ☐ 7

TRAVEL

4. Approximately how many business air trips have you taken in the past 12 months? (Count a round-trip as one.)

None ☐ 15
1-2 ☐ 1
3-5 ☐ 2
6-9 ☐ 3
10-20 ☐ 4
21+ ☐ 5
GO TO Q. 7

5. Which of the following destinations have you flown to on business in the past 12 months?
(Please check all that apply.)

Belgium <input type="checkbox"/> 16	United Kingdom <input type="checkbox"/> 17	Latin America/Caribbean <input type="checkbox"/> 18
France <input type="checkbox"/> 2	Other Europe <input type="checkbox"/> 2	Japan <input type="checkbox"/> 2
Germany <input type="checkbox"/> 3	Middle East <input type="checkbox"/> 3	Hong Kong <input type="checkbox"/> 3
Italy <input type="checkbox"/> 4	African countries <input type="checkbox"/> 4	Singapore <input type="checkbox"/> 4
Netherlands <input type="checkbox"/> 5	USA East Coast <input type="checkbox"/> 5	Other Asia <input type="checkbox"/> 5
Portugal <input type="checkbox"/> 6	USA West Coast <input type="checkbox"/> 6	Australia <input type="checkbox"/> 6
Scandinavia/Finland <input type="checkbox"/> 7	Other USA <input type="checkbox"/> 7	New Zealand <input type="checkbox"/> 7
Spain <input type="checkbox"/> 8	Canada <input type="checkbox"/> 8	Elsewhere <input type="checkbox"/> 8
Switzerland <input type="checkbox"/> 9		

6a. For business trips, which class of air travel do you usually use?

	FOR SHORT-HAUL TRIPS (UP TO FOUR HOURS)	FOR LONG-HAUL TRIPS (OVER FOUR HOURS)
First Class	<input type="checkbox"/> 19	<input type="checkbox"/> 20
Business Class	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Economy	<input type="checkbox"/> 3	<input type="checkbox"/> 3
Other	<input type="checkbox"/> 4	<input type="checkbox"/> 4
No such trips	<input type="checkbox"/> 5	<input type="checkbox"/> 5

6b. Have you flown by Concorde on business in the past 12 months?

Yes ☐ 21
No ☐ 2

7. Approximately how many times have you rented a car in the past 12 months?

	AT ALL	ABROAD
Not rented	<input type="checkbox"/> 22	<input type="checkbox"/> 23
1-2 rentals	<input type="checkbox"/> 2	<input type="checkbox"/> 2
3-6 rentals	<input type="checkbox"/> 3	<input type="checkbox"/> 3
7 or more rentals	<input type="checkbox"/> 4	<input type="checkbox"/> 4

PURCHASES & INVESTMENTS

8. Which, if any, of the following items have you bought for yourself or as a gift for others in the past two years?

Paintings or sculpture <input type="checkbox"/> 24	Leather travel goods <input type="checkbox"/> 5
Antique furniture <input type="checkbox"/> 2	A quality watch <input type="checkbox"/> 6
Gems or precious jewelry <input type="checkbox"/> 3	35 mm SLR camera <input type="checkbox"/> 7
Couture label clothing <input type="checkbox"/> 4	Video camera <input type="checkbox"/> 8

9. Which, if any, of these cards do you use now-days?

Access/Eurocard/MasterCard (Gold) <input type="checkbox"/> 25	Diners Club <input type="checkbox"/> 5
Access/Eurocard/MasterCard <input type="checkbox"/> 2	Visa Gold/Premier <input type="checkbox"/> 6
American Express Gold/Platinum <input type="checkbox"/> 3	Visa/Carte Bleue/Barclaycard <input type="checkbox"/> 7
American Express Green <input type="checkbox"/> 4	

10. Which, if any, of the following types of investment do you or members of your household have?

Stocks & Shares <input type="checkbox"/> 26	Stock/Index Options <input type="checkbox"/> 27
Bonds <input type="checkbox"/> 2	Financial/Currency Futures <input type="checkbox"/> 2
Government Securities <input type="checkbox"/> 3	Physical Commodities <input type="checkbox"/> 3
Mutual Funds/Unit Trusts <input type="checkbox"/> 4	Gold/precious metals <input type="checkbox"/> 4
Offshore Funds <input type="checkbox"/> 5	Property (land or real estate excluding main home) <input type="checkbox"/> 5
Private Pension Plans <input type="checkbox"/> 6	Collectibles (art, antiques, coins, stamps, etc.) <input type="checkbox"/> 6

11. What is the approximate total value of the above, and any other investments (excluding your main home), owned by you and members of your household? (in U.S. dollars)

Under U.S. \$50,000 <input type="checkbox"/> 28	\$250,000 to under \$500,000 <input type="checkbox"/> 4
\$50,000 to under \$100,000 <input type="checkbox"/> 2	\$500,000 to under \$1 million <input type="checkbox"/> 5
\$100,000 to under \$250,000 <input type="checkbox"/> 3	U.S. \$1 million or more <input type="checkbox"/> 6

ABOUT YOU

12a. In which country are you currently resident?

Write in _____ 29-30

12b. Of which country are you a citizen?

Write in _____ 31-32

12c. How long have you been living in your present country of residence?

Less than 6 months <input type="checkbox"/> 33	6-12 months <input type="checkbox"/> 2	1-5 years <input type="checkbox"/> 3	More than 5 years <input type="checkbox"/> 4
--	--	--------------------------------------	--

13. Are you?

Male ☐ 34
Female ☐ 2

14. What is your age?

Under 25 <input type="checkbox"/> 35	35-44 <input type="checkbox"/> 3	55-64 <input type="checkbox"/> 5
25-34 <input type="checkbox"/> 2	45-54 <input type="checkbox"/> 4	65 or over <input type="checkbox"/> 6

15. Which educational level have you attained?

Doctorate/MBA/higher university degree <input type="checkbox"/> 36	University degree/equivalent professional qualification <input type="checkbox"/> 2
	Secondary or high school <input type="checkbox"/> 3

16. Into which of the following groups does your pre-tax household annual income from all sources fall? (Check in U.S. \$ or write in your own currency.)

Up to U.S. \$50,000 <input type="checkbox"/> 37	\$150,000 to \$249,999 <input type="checkbox"/> 4
\$50,000 to \$74,999 <input type="checkbox"/> 2	\$250,000 to \$499,999 <input type="checkbox"/> 5
\$75,000 to \$149,999 <input type="checkbox"/> 3	\$500,000 or more <input type="checkbox"/> 6

Or annual income in own currency (write in) _____

YOUR OCCUPATION

17. What is your working status?

Working full-time <input type="checkbox"/> 38	Student <input type="checkbox"/> 3	Housewife <input type="checkbox"/> 5
Working part-time <input type="checkbox"/> 2	Retired <input type="checkbox"/> 4	Other <input type="checkbox"/> 6

If you are not working full-time or part-time please skip to Q. 24

18. What is your company's principal activity?

— MANUFACTURING/PRIMARY —	SERVICES
Oil/Chemicals <input type="checkbox"/> 39	Wholesale/Retail trade <input type="checkbox"/> 40
Engineering/Construction <input type="checkbox"/> 2	Transportation <input type="checkbox"/> 2
Electronics/Computers <input type="checkbox"/> 3	Management Consultancy/Accountancy <input type="checkbox"/> 3
Food/Beverages <input type="checkbox"/> 4	Advertising/Communications <input type="checkbox"/> 4
Consumer Goods <input type="checkbox"/> 5	Other Business and Professional Services (incl. Legal) <input type="checkbox"/> 5
Textiles/Paper <input type="checkbox"/> 6	Banking <input type="checkbox"/> 6
Energy/Water supplies <input type="checkbox"/> 7	Insurance <input type="checkbox"/> 7
Agriculture/Forestry/Fisheries/Mining <input type="checkbox"/> 8	Stockbroking <input type="checkbox"/> 8
	Other Financial Services <input type="checkbox"/> 9

OTHER PROFESSIONS/SERVICES

Medical <input type="checkbox"/> 41	Army/Police <input type="checkbox"/> 1
Government, Diplomatic <input type="checkbox"/> 2	Education <input type="checkbox"/> 2
Civil Service <input type="checkbox"/> 3	OTHER (Write in) <input type="checkbox"/> 0



A U.S. DOLLAR FROM YOU TO A CHARITY

Thank you for your cooperation.
In 1986, the IHT contributed \$13,057 to charity on behalf of respondents to a similar questionnaire.

19. What is your job title or position? (Please check all that apply.)

Owner/Partner <input type="checkbox"/> 43	Technical Specialist <input type="checkbox"/> 44
Chairman of the Board <input type="checkbox"/> 1	Clerical <input type="checkbox"/> 2
President/Chief Executive Officer <input type="checkbox"/> 3	Senior Government Officer <input type="checkbox"/> 3
Managing Director <input type="checkbox"/> 4	Other Government Officer <input type="checkbox"/> 4
Chief Financial Officer/Finance Director <input type="checkbox"/> 5	Consultant <input type="checkbox"/> 5
Other Senior Management <input type="checkbox"/> 6	Other Professional <input type="checkbox"/> 6
Middle Management <input type="checkbox"/> 7	Other (Write in) <input type="checkbox"/> 7
Junior Executive <input type="checkbox"/> 8	

20a. In which, if any, of these financial areas are you wholly or partly responsible for company decision-making? (Please check all that apply.)

Domestic Banking Relations <input type="checkbox"/> 45	Portfolio/Pension Fund Management <input type="checkbox"/> 5
International Banking Relations <input type="checkbox"/> 2	Money Market/Foreign Exchange Management <input type="checkbox"/> 6
Corporate Finance <input type="checkbox"/> 3	Insurance Services <input type="checkbox"/> 7
Corporate Divestiture/Acquisitions/Privatisation <input type="checkbox"/> 4	None of these <input type="checkbox"/> 8

20b. Below is a list of items for which you may be involved in a decision to purchase, lease, appoint or change a supplier in the course of your work.

For each item, please indicate if you are involved:
(I) in the evaluation, specification or recommendation of a product or supplier, and/or
(II) in the authorization or approval of a product or supplier.

	I EVALUATE SPECIFY OR RECOMMEND	II AUTHORISE OR APPROVE
Mainframe computer/network system	<input type="checkbox"/> 46	<input type="checkbox"/> 48
Personal computers/desk top computers/word processors	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Computer peripherals	<input type="checkbox"/> 3	<input type="checkbox"/> 3
Software	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Photocopiers	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Facsimile equipment	<input type="checkbox"/> 6	<input type="checkbox"/> 6
Telecommunications systems over \$250,000	<input type="checkbox"/> 7	<input type="checkbox"/> 7
Telecommunications systems \$250,000 or less	<input type="checkbox"/> 8	<input type="checkbox"/> 8
Other telecommunications equipment	<input type="checkbox"/> 9	<input type="checkbox"/> 9
Company vehicles	<input type="checkbox"/> 47	<input type="checkbox"/> 49
Aircraft and related equipment	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Business premises/industrial site selection	<input type="checkbox"/> 3	<input type="checkbox"/> 3
Plant/plant equipment	<input type="checkbox"/> 4	<input type="checkbox"/> 4
Raw materials	<input type="checkbox"/> 5	<input type="checkbox"/> 5
Scientific instruments	<input type="checkbox"/> 6	<input type="checkbox"/> 6
Marketing/communications services	<input type="checkbox"/> 7	<input type="checkbox"/> 7

21. Which of the following areas are you responsible for in your organization?

Management Consultancy Services <input type="checkbox"/> 50	Conference/Exhibition/Trade Fair Services <input type="checkbox"/> 4
Executive Recruitment <input type="checkbox"/> 2	Company Credit Cards <input type="checkbox"/> 5
Company Travel Arrangements <input type="checkbox"/> 3	1992 Planning <input type="checkbox"/> 6

22. How many people does your company employ in the country in which you are currently based?

Under 10 <input type="checkbox"/> 51	50-249 <input type="checkbox"/> 3	1,000-4,999 <input type="checkbox"/> 5
10-49 <input type="checkbox"/> 2	250-999 <input type="checkbox"/> 4	5,000 or more <input type="checkbox"/> 6

23a. Does your company also operate outside the country in which you are currently based?

Yes ☐ 52
No ☐ 2

23b. Do you have responsibilities for policies or operations in any other countries?

Yes ☐ 53
No ☐ 2

24. Which one of these charities should benefit from your dollar donation?

CARE (THIRD WORLD AID) <input type="checkbox"/> 3
SAVE THE CHILDREN <input type="checkbox"/> 1
WORLD WILDLIFE FUND <input type="checkbox"/> 4
INTERNATIONAL RED CROSS <input type="checkbox"/> 2
CANCER RESEARCH <input type="checkbox"/> 5

25. If you are willing to participate in future surveys, please give your name and address below, or attach your business card. If you do not wish to participate in future surveys, please leave blank and return your questionnaire.

Please note that your name and address will not be used for purposes other than such surveys, and your replies will be treated in the strictest confidence.

Name _____
Address _____

RESEARCH SERVICES LIMITED

1st February 1989

Mr Lee Hubbard
International Herald Tribune
181 Avenue Charles de Gaulle
92200 Nanterre-sur-Seine
France

Dear Lee

Thank you for commissioning us to undertake the 1989 Reader Survey.

We guarantee to process all the replies received with absolute confidentiality. Information relating to individual replies will be analysed in a statistical form only. No personal information will be passed to anyone outside our organisation.

The questionnaire will appear in the paper in mid February, and we will process all replies received before the end of March. Each response received by Research Services Ltd before the closing date will qualify for \$1 US donation to charity. The total value of your charitable contribution will be shown when you publish the survey results in May.

With best wishes

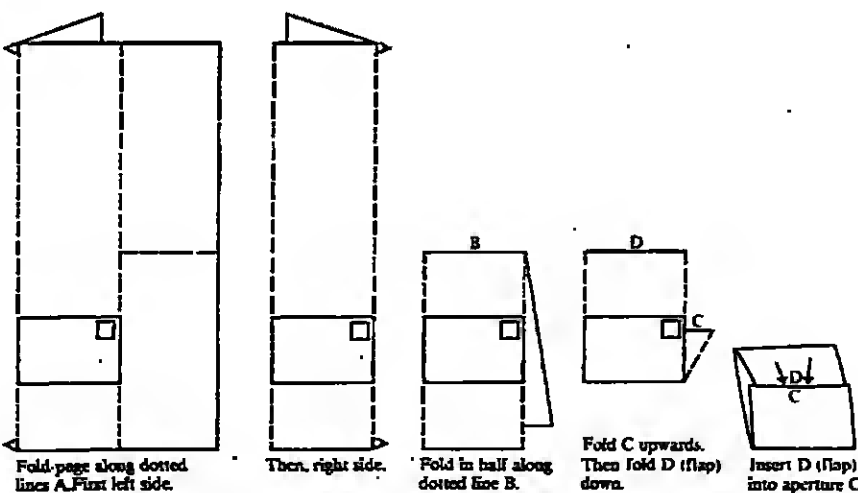
Yours sincerely

Dawn Mitchell
Chairman & Chief Executive

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24 FLOATING RATE NOTES

Bank of Greece	\$250	1999	0.25	100	—	Over 6-month Libor until 1994 and 9% thereafter. Senior secured. Callable in 1994 and redeemable in 1994 at par. Fees 0.65%. Denominations \$10,000. (Bankers Trust Int'l)
SIF Mortgage Notes No. 1	£150	2021	0.20	100	—	Over 3-month Libor until 1999 and 0.50% thereafter. Callable at par in 1994. Fees 0.325%. Denominations £100,000. (Credit Suisse First Boston)
FIXED-COUPON						
Banco di Napoli (Hong Kong)	\$ 50	1999	10%	102	—	Callable at par in 1992. Fees 2%. Denominations \$50,000. (Sunamco Trust Int'l)
Banque Nationale de Paris	\$100	1999	10%	102	—	Callable at par in 1992. Fees 2%. (Morgan Stanley Int'l)
Banque Paribas	\$100	1999	10%	102	—	Callable at par in 1992. Fees 2%. (Banque Paribas Capital Markets)
Electricité de France	\$300	1999	9%	101½	98.00	Noncallable. Fees 2%. (J.P. Morgan Securities)
European Investment Bank	\$200	1999	9%	101½	98.375	Noncallable. Fees 2%. (Chase Investment Bank)
J.P. Morgan	\$125	1999	10	102	—	Callable at par in 1992. Fees 2%. Denominations \$100,000. (J.P. Morgan Securities)
Spaarkassen Sds	\$200	1994	9%	101½	—	Noncallable. Fees 1½%. (Nomura Int'l)
Union Bank of Finland	\$100	1999	10%	101%	—	Callable at par in 1993. Fees 2%. Denominations \$10,000. (Daiva Europe)
British & Commonwealth Capital	£ 75	1996	10%	98%	—	Noncallable. Fees 1½%. (S.G. Warburg Securities)
Commerzbank Overseas Finance	£ 75	1994	10%	101%	99.625	Noncallable. Fees 1½%. (Samuel Montagu)
Redland Funding	£100	2014	10%	101.38	—	Noncallable. Fees 25%. (Barclays de Zeeuw Wedd.)
Scandinavian Airlines System	FF 500	1999	9%	101%	99.25	Noncallable. Fees 2%. (Banque Nationale de Paris)
World Bank	FFA 10,000	1994	11%	101%	99.675	Noncallable. Fees 9%. (Deutsche Bank in Madrid)
Bank Mees en Hope	Gld 100	1994	6%	99%	—	Noncallable. Fees not disclosed. (Bank Mees en Hope)
Nordic Investment Bank	SK 500	1994	10	101%	99.75	Noncallable. Fees 1½%. (Swensson Int'l)
IBM Int'l Finance	ECU 100	1993	8%	101%	100.00	Noncallable. Fees 1½%. (Banque Paribas Capital Markets)
Interfinancas Credit National	ECU 75	1994	8%	101%	99.80	Noncallable. Fees 1½%. (J.P. Morgan Securities)
Agfard Credit Canada	C\$ 125	1996	10%	101%	99.00	Noncallable. Fees 1½%. (Goldman Sachs Int'l)
GMAC Canada	C\$ 100	1994	11	101%	99.125	Noncallable. Fees 1½%. (Merrill Lynch Capital Markets)
Kreditbank Int'l Finance	C\$ 100	1991	11%	101%	100.10	Noncallable. Fees 1½%. (J.P. Morgan Securities)
Westpac Banking	C\$ 100	1991	11%	101%	99.75	Noncallable. Fees 1½%. (Merrill Lynch Capital Markets)
Kingdom of Sweden	Aus\$ 100	1994	15	102	99.875	Noncallable. Fees 2%. (Nomura Int'l)
Merrill Lynch	Aus\$ 60	1991	16%	100%	99.125	Noncallable. Fees 1½%. (Merrill Lynch Capital Markets)
New South Wales Treasury	Aus\$ 150	1995	12.10	90.50	89.525	Noncallable. Senior secured. Fees 2%. Denominations \$10,000. Exchangeable into an identical domestic issue. (Boi Securities)
Swedish Export Credit	Aus\$ 50	1990	18%	101%	100.37	Redeemable in either Aus\$61,182.89 or US\$7,049.50 per share. Bankers Trust Int'l.
Unilever Capital	Aus\$ 75	1990	16%	101%	100.50	Noncallable. Fees 1%. (NatWest Capital Markets)
Bank of Nova Scotia (Cayman Islands)	NCS 50	1992	13%	101%	100.50	Noncallable. Fees 1½%. (Fay Riddiwe U.K.)
Bergen Bank	¥ 5,000	1994	6	101%	—	Callable in 1994. Fees 1½%. Denominations 100 million yens. (BNI Int'l)
Christiania Bank og Kreditkasse	¥ 10,000	1993	zero	84%	—	Yield 4.82%. Noncallable. Fees 1.55%. (Nomura Int'l)
Christiania Bank og Kreditkasse	¥ 10,000	1993	4%	101%	—	Coupon will be calculated after six months. Senior secured. Noncallable. Fees 1½%. Denominations 1 million yens. (Daiva Europe)
Eurofinna	¥ 20,000	1995	5	101%	99.475	Noncallable. Fees 1½%. Denominations 1 million yens. (Nomura Int'l)
Instituto de Credito Oficial	¥ 9,530	1993	5%	101%	—	Noncallable. Fees 1½%. (BNI Int'l)
EQUITY-LINKED						
Bank of Tokyo	\$100	2004	open	100	98.625	Coupon indicated at 26%. Senior secured. Callable at 104 in 1992 declining by 0.50% annually to par thereafter. Fees 2½%. Convertible into company's shares. Terms to be set Feb. 14. (Bank of Tokyo Capital Markets)
Burlington Resources	\$ 79.97	2002	7	100	100.25	Callable at 104.75 to 107% from 1992 declining annually to par in 1999. Fees 2½%. Convertible into shares of Anadarko Petroleum at \$31.675 per share a 23% premium. (Morgan Stanley Int'l)
Eidensha Co.	\$ 50	1993	open	100	100.75	Coupon indicated at 54%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2½%. Terms to be set Feb. 14. (Nomura Int'l)
Fujikura	\$100	1993	4%	100	106.25	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,263 yen per share. Fees 2½%. (Yamachi Int'l Europe)
Kansai Paint	\$150	1993	open	100	103.25	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2½%. Terms to be set Feb. 14. (Yamachi Int'l Europe)
Keio Toei Electric Railway	\$200	1993	4%	100	107.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 1,456 yen per share. Fees 2½%. (Nomura Int'l)
Mitsubishi Gas Chemical Co.	\$100	1993	4%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 884 yen per share and of 130.40 yen per dollar. Fees 2½%. (Yamachi Int'l Europe)
Nichii Co.	\$500	1993	open	100	103.00	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2½%. Terms to be set Feb. 15. (Nomura Int'l)
Nippon Business Consultant	\$100	1993	open	100	99.75	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 25% premium. Fees 2½%. Terms to be set Feb. 17. (Nomura Int'l)
Nippon Mining Co.	\$500	1993	4%	100	105.50	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 977 yen per share and of 130.40 yen per dollar. Fees 2½%. (Boi Securities Europe)
News Cayman Finance	£150	1999	7%	100	99.875	Callable at par and redeemable at 126.00 in 1994. Fees 2%. Exchangeable into shares of Pearson Plc at 843 pence per share. (Credit Suisse First Boston)
News Cayman Finance	DM 175	1999	5	100	100.10	Callable at par and redeemable at 116 in 1994. Fees 2½%. Convertible into shares of Pearson Plc at DMG261 per one Sterling. (Credit Suisse First Boston)
News Cayman Finance	Gld 100	1999	5%	100	—	Callable at par and redeemable at 116.87 in 1994. Fees 3%. Exchangeable into shares of Pearson Plc at 3.6884 Guineas per one Sterling. (Credit Suisse First Boston)

(Continued from first finance page)

The big question is whether borrowers will want to issue noncallable dollar bonds paying such a high rate. Bankers say yes, explaining that the continuing strong economic growth and the prospect of still higher bond rates will spur companies

But paper denominated in European currency units failed to attract much support despite a hike in coupon levels to just over 8 percent and the pretense if such highly-regarded borrowers as International Business Machines Corp.

The preference shares denominated in pounds and guilders and the convertible bond denominated in marks can all be exchanged for Pearson stock at a price of 843 pence, a premium of 13½ percent to Pearson's 743 pence closing level Friday on the London Stock Exchange.

Agence France Presse

The main exports were office machines and automatic data-processing equipment, and telecommunications and sound recording equipment.

United States, Europe and South-east Asia remains strong, keeping a strong pull on sales of Japanese consumer and capital goods.

"Some people are saying the pickup in exports in the second half of last year is tailing off, so we will be looking closely at export volume," said Richard Jerram, an economist at Kleinwort Benson International Ltd.

But Mr. Jerram said he expects

But he said at a news conference that the bank would like to adopt a Western-style system under which the government would have to pay interest on such borrowings.

"We have a law this year under which the state bank must give 63.4 billion rubles (\$102 billion) to the

The 63.4 billion rubles in government borrowing is over and above a 36-billion-ruble amount officially referred to as the budget deficit for 1989.

Revue

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"We have a law this year under which the state bank must give 63.4 billion rubles (\$102 billion) to the

By Carl Gewirtz

— Banca Nazionale del Lavoro, Banco di Napoli, Cassa di Risparmio delle Province Lombarde and Istituto Bancario San Paolo — is seeking to raise the equivalent of 400 billion lire (about \$300 million). Two-thirds will be drawn in European currency units and the remainder in Swiss francs and Deutsche marks.

U.S. market. The three-month Euro notes are sold at a cost of 30 basis points below Libor, but the interfinance paper — because it does not carry the explicit government guarantee — is expected to be sold at 15 to 20 basis points below Libor.

A clarification by the International Revenue Service last week on how U.S. companies are to treat

(Continued from first finance page)

gressional aides are warning that the money seems far from enough and that the sketchy cash-flow projections released by the Treasury appear to contain some big holes. For one, they are upset at the optimistic projections of interest rates, inflation and growth in the industry projected under the Bush administration. "The projections are

The bond market "responded dramatically to the announcement of the PPI," said Robert Guzman, an analyst for Salomon Brothers Inc. "It probably went down on the order of a point and half from 100 to 98 1/2."

U.S. CREDIT MARKETS

But Mr. Guzman said, "I couldn't detect any reaction to the prime rate hike."

"Municipals have always given you a taxable equivalent yield that's better than Treasuries," said Steven J. Hueglin, a partner at the Gabriele, Hueglin & Casman bond firm in New York. "The advantage is still there, and it's significant."

U.S. \$400,000,000 floating rate notes 1984 due 1995.

The rate of interest applicable to the interest period from February 8 1984 to August 8 1989 as determined by the reference agent is 9% per cent *par* annum namely U.S. \$408.35 per bond of U.S. \$10,000.

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In accordance with the provisions of the Notes, notice is hereby given that for the six months Interest period from February 13, 1989 to August 14, 1989 the Notes will carry an Interest Rate of 9% per annum. The Interest payable on the relevant Interest payment date, August 14, 1989 against Coupon No. 9 will be U.S. \$4,992.36 and U.S. \$489.24 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
February 13, 1989

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Sweden**	S.Kr.	200 00 00 00	2,000	1,276	1,100	6
Switzerland	S.Fr.	100 00 00 00	455	455	255	1
Rest Europe, N. Africa, S. Africa, India, Mid. East S.			470	Varies by country	260	1
Rest of Afr. Gulf S. Asia S.			620		340	1
Central & Latin America S.					295	1

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30.09.92	99 13/32	99 14/32	9.30	9.15
15.02.93	98 15/32	98 17/32	9.26	9.09
15.01.95	100 4/32	100 4/32	9.22	9.04
15.08.96	98 3/32	98 4/32	9.17	9.00
15.02.08	102	102 4/32	9.13	8.93
15.05.18	98 11/32	98 13/32	9.03	8.84

Source: Solomon Inc.

Feb 10

Tax-Exempt Bonds	
Bond Buyer 20-Bond Index	7.38 %
Money Market Funds	
Dodge's 17-Day Average	8.72 %
Bank Money Market Accounts	
Bank Rate Monitor Index	4.35 %
Home Mortgage, FHLM average	10.55 %

Source: New York Times.

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MONDAY SPORTS

Austrian Gains Slalom Victory; Tomba Tumbles

The Associated Press
VAIL, Colorado — Austria's Rudolf Nierlich, a virtual unknown outside of the World Cup circuit, won his second gold medal, capturing the men's slalom on Sunday in the final event of the World Alpine Ski Championships.

Nierlich, winner of the giant slalom Thursday, overtook first-run slalom leader Armin Bittner of West Germany with a quick second run down a course with extremely tight gate placements.

Nierlich, 22, had an aggregate time of 2 minutes, 28.5 seconds, nearly a half-second faster than Bittner's 2:03.29. Marc Girardelli

of Luxembourg, third after the first run, maintained his position and won the bronze medal in 2:03.65. (See Scoreboard)

The treacherous second course felled seven of the first 10 skiers out of the gate, including Swedish great Ingemar Stenmark. The tamer first run, meanwhile, knocked out five skiers from the first seed, including Italy's Alberto Tomba and Switzerland's Pirmin Zurbriggen.

Tomba, the two-time Olympic gold medalist who was making his final bid for a medal in these championships, straddled a gate about 10 seconds from the finish and fell. Zurbriggen fell only five seconds into his run. Defending world slalom champion Frank Wörndl of West Germany, Austria's Bernhard Gstrein and top American hope Felix McGrath all missed gates while descending a steep face toward the finish in the first run.

Despite McGrath's exit, two other Americans were in contention for top 15 finishes. Bob Ormsby of Tahoe City, Calif., stood 11th after the first run, and Kyle Wieche of Farmington, Conn., was 14th. But both fell in their second runs.

Nierlich, winner of two World Cup races this season and three in his four-year career on the circuit, had the second-fastest time in the second run of 1:05.28, trailing only Nilsson's 1:05.07.

"To win the world title you have to combine luck, good material and good form — and I had all three of them today," Nierlich said.

Bittner said he "wasn't" aggressive enough on the second run, which was extremely difficult. Nierlich is the strongest at the moment, and he deserved the victory.

Girardelli, expected to win as many as five medals here, claimed his second medal of the championships after a gold in the combined. "I'm happy with two medals," he said. "The World Championships came at a difficult time for me because I was tired after a very engaging series of World Cup races, and I had little time here for testing materials."

Following Tomba's fall and the failure of the Italian team to claim a single medal here, Coach Josef Messner announced his resignation, effective at the end of the season.



Alberto Tomba of Italy splashes into the snow on his first slalom run on Sunday. He was eliminated.

Schneider Settles for Giant-Slalom Gold

The Associated Press
VAIL, Colorado — For this season's No. 1 female skier, the World Championships could not have gone without a gold medal.

Suddenly recalling how to combine two fast runs, Vreni Schneider restored her reputation of invincibility by winning her second consecutive world title, and her fourth gold in three years, in Saturday's giant slalom.

But the triumph of the 24-year-old Swiss star at the World Alpine Ski Championships, following second-place showings in the combined and slalom events, was not without its problems.

She had to rush to her hotel between runs to pick up her tape player — Schneider says that listening to folk music is essential to her concentration.

Superb second runs by French rivals Carole Merle and Christelle Guignard, and a bad mistake by Schneider at a difficult gate on the final wall, put her victory at risk.

Yet Schneider was the fastest in both runs, clocking a winning aggregate time of 2 minutes, 29.37 seconds. Schneider beat Merle by 1.13 seconds and topped Guignard by 2.43 seconds. (See Scoreboard) "I am overjoyed because I won the title in the discipline I wanted most to win," Schneider said. "This was the main goal of my season."

She won the world giant slalom title at Crans Montana, Switzerland, in 1987 and took golds in slalom and giant slalom at the Calgary Olympics last year.

Schneider won silver medals in two previous championship races in which she was rated a certain

winner. Skiing poor first slalom heats, she finished second to Tamara McKinney of the United States in the combined and second to Yugoslavia's Mateja Svet in the slalom.

"I did not feel any special pressure before the race," Schneider

said. "Instead I was extremely nervous following the first run. After several weeks I was again the fastest in a first run and I was afraid of spoiling the good result in the second. I tried to relax listening to folk music by a South Tyrolean group between heats."

She skied an aggressive first run, a marked change of tactics from previous events, which had forced her to perform at her limit in the second heat to make up time gaps.

"I took all risks in the first run, because I felt I could do it," she said. "I went too straight at a difficult gate in the second and I thought I might have lost the race. When I saw on the board that I had still taken the No. 1 spot, it was a great relief."

Her victory gave the Swiss team its third gold and 11th medal of the championships. Austria has two golds.

Saturday's gold likely won't be the last achievement of the season for Schneider. She could set a record for most wins in one season on the way to her first World Cup overall title. She has already clinched the slalom and giant slalom titles.

She tied the record of 11 wins, set by Austrian Annemarie Moser-Proell in 1973, by taking a World Cup giant slalom in Tignes, France, on Jan. 21.

When the last threat, Maria Walliser of Switzerland failed to top Guignard's time, a wild whoop erupted from the French team, and one coach so manhandled Guignard with a hug that her goggles went flying.

United Press International reported from East

Rutherford, New Jersey.

In the process, meet officials clocked O'Sullivan in world record-time over 1,500 meters. His 3:35.6 bettered the official world record of 3:36.04 in the 1,500 held by Spain's Jose-Luis Gonzalez.

Christie Takes Stuttgart Events

Linford Christie of Britain ran the fastest times in the world this year in the 60- and 200-meter dashes. Innocent Egbunike of Nigeria upset Olympic champion Steve Lewis in the 400-meter race, and Carl Lewis won the long jump on his final attempt at an indoor track and field meet in Stuttgart on Sunday. The Associated Press reported.

Christie led all the way in winning the 200 in 20.65 seconds, then took the 60 in 6.52 seconds, a British record.

Several other best performances of the year came on Sunday, including Egbunike's surprise win over Lewis in 45.90 seconds in the 400 meters. But Carl Lewis, the six-time Olympic gold medalist, struggled in the long jump before scoring his 58th consecutive victory on his final effort.

O'Sullivan Sets 1,500 Mark

Marcus O'Sullivan of Ireland got a world record, but not the one he wanted. O'Sullivan finished almost two seconds off Eamonn Coghlan's world record 3:49.78 in the men's mile Friday night while winning at the Vitalis Meadows Invitational.

Nicklaus Wins Bear's Share in Australian Golf

The Associated Press
PORT DOUGLAS, Australia — Jack Nicklaus putted superbly Sunday to outlast Curtis Strange, Greg Norman and Isao Aoki and earn more than a \$250,000 in the first Australian Super Skins golf tournament.

Nicklaus birdied three of the first nine holes Sunday to win \$126,000, and also earned \$33,250 when the final five holes and two playoff holes were halved.

He collected a total of \$254,250 over the two days of the event, the richest skins game ever.

"I feel terrific," he said. "I haven't been in a winning situation too often recently, but the adrenaline still pumps."

There was no provision in the rules for a third playoff hole if the players were still deadlocked.

Nicklaus and Strange each won \$94,500 on Saturday, the opening

day of the 36-hole event at the par-72 Mirage Country Club course.

The four contested a pot of \$607,500 plus hole-in-one bonuses worth \$14 million.

"I feel terrific. I haven't been in a winning situation too often recently, but the adrenaline still pumps."

Jack Nicklaus.

Under the skins format, prize money for each hole on which there is no winner rolls over into the j-cup for the next hole.

Holes one to nine were worth \$9,000 each and the last nine \$13,500. Holes 19 through 27 offered \$18,000 and the final nine

successful from four feet to tie the hole and earn each of the players \$33,250 from the jackpot pool.

There was no provision in the rules for a third playoff hole if the players were still deadlocked.

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